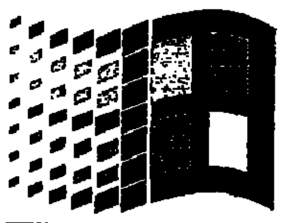
FINANCIAL TIMES



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Catering for the hungry flier

World Business Newspaper | FRIDAY OCTOBER 20 1995 | D8523A

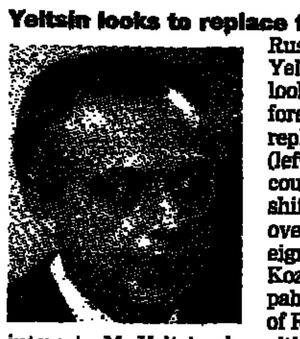
Unionist leader threatens UK over Ulster peace talks

Ulster Unionist leader David Trimble warned he would be prepared to bring down the British government in a confidence vote. His statement is likely to alarm UK prime minister John Major, whose technical majority in the Commons was reduced to five after one of his MPs defected to the opposition Labour party. The warning comes at an important time in the Northern Ireland peace process, with the London, Dublin and Washington governments apparently close to paving the way for a new round of talks. Page 18

Buffett decision surprises Wall Street: Warren Buffett, chairman of investment group Berkshire Hathaway, surprised Wall Street by deciding not to convert \$140m of Salomon preferred stock into 3.7m ordinary shares. The market's initial reaction was that Mr Buffett had passed a vote of no confidence in Salomon. Page 21; Salomon results, Page 23; Lex, Page 20

Germany to widen investment options: Germany aims to give savers a wider choice of investment vehicles as part of its programme to deregulate and strengthen its financial markets, finance minister Theo Waigel said. Page 20

Yeltsin looks to replace foreign minister:



Russian president Boris Yeltsin said he was looking to appoint a new foreign minister to replace Andrei Kozyrev (left) in a move which could signal a further shift towards a more overtly nationalist foreign policy. He said Mr Kozyrev had proved incapable of co-ordinating all of Russia's foreign policy interests. Mr Yeltsin also criticised Nato's expansion plans. Page 2

Warring Balkan parties toughen stance: US peace envoy Richard Holbrooke said Serbia, Croatia and Bosnia had "hardened their positions in anticipation" of this month's peace talks. Page 2

Clinton threatens veto on Medicare: US President Bill Clinton threatened to veto a bill which aims to cut Medicare spending if the Republicans were to win a House of Representatives vote on the issue. The Democrats believe the health cuts will harm the elderly. Page 5

Johnson & Johnson, the US healthcare group, made a \$1.7bn offer for Cordis, a maker of cardiology equipment. Cordis said it had "no definitive comment" on the offer. Page 21

Tokyo presses on bank debts: The first clear evidence of likely international fallout from Japan's banking crisis emerged when the country's financial authorities confirmed they were asking foreign creditors of a failed bank to write off some of their loans. Page 6; Editorial Comment, Page 19

Nokia shares fell 15 per cent in early New York trading after the Finnish telecommunications group produced lower-than-expected interim figures. Page 21

Appeal on China's WTO entry: World Trade Organisation head Renato Ruggiero urged the US to reassure Beijing that China's attempt to join the WTO would not be blocked. Page 7

Coca-Cola, the US soft drinks company, reported a 13 per cent increase in net income for the third quarter of 1995. Profits for the quarter came to \$802m, up from \$708m in the same period last year. Page 23

Iraqi famine warning: More than five years of UN economic sanctions have brought Iraq to the brink of famine, a report by the UN Food and Agriculture Organisation warned. It said Iraq could no longer produce even half the food grain and vegetable oil it needed.

S African serial killing suspect shot: South African police shot and arrested a suspect in the serial killings of at least 40 women. The man was said to be in satisfactory condition in hospital.

French tax change on cohabiting couples: France confirmed it would reform the tax code which allows cohabiting couples with children to benefit from higher deductions than those allowed to married couples. Page 20

Eurotunnel appoints commercial officer: The Anglo-French Channel tunnel operator Eurotunnel appointed Bill Dix as its chief commercial officer after the departure of Christopher Garnett in March. Mr Dix has been running his own travel and leisure business since 1993. Page 26

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,779.69	(+2.17)
NASDAQ Composite	1,049.04	(-5.33)
Europe and Far East		
CAC40	1,757.30	(-13.38)
DAX	2,179.60	(-15.21)
FT-SE 100	3,578.6	(-14.4)
Nikkei	17,955.36	(+59.39)

■ US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.399%
Long Bond	107½
Yield	6.306%

■ OTHER RATES

UK: 3-mo Interbank	6¾%	(Same)
UK: 10 yr Gilt	102½	(102½)
France: 10 yr OAT	101.63	(101.65)
Germany: 10 yr Bund	102.53	(102.39)
Japan: 10 yr JGB	113.027	(112.859)

■ NORTH SEA OIL (Argus)

Brent 15-day (Dec)	\$15.91	(16.06)

■ GOLD

New York: Comex		
(Dec)	\$383.8	(385.9)
London:		
close	\$382.25	(383.8)

■ DOLLAR

New York lunchtime		
£	1.5735	
DM	1.41185	
FFr	4.95175	
SFr	1.15065	
Y	100.575	
London:		
£	1.5715	(1.5697)
DM	1.4141	(1.4235)
FFr	4.9622	(4.9895)
SFr	1.1525	(1.156)
Y	100.65	(100.75)

■ STERLING

DM	2.2229	(2.2344)
Tokyo close:	Y 100.725	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK\$20	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S\$4.30		
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00		
Finland	FM15	Kuwait	Fils625	Portugal (m'land)		Tunisia	Din1.500		
France	FFr11.00	Lebanon	US\$1.50		Es230	Turkey	L60,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

Four-strong alliance set to develop new chip

IBM, Motorola, Siemens and Toshiba holding talks

By Michiyo Nakamoto in Tokyo and Paul Taylor in London

Four of the world's leading semiconductor manufacturers are planning to develop jointly the next generation of advanced memory chips which are expected to start appearing in electronic devices early next century.

IBM and Motorola of the US, Siemens of Germany and Japan's Toshiba confirmed yesterday that they are in discussions regarding joint development of 1 gigabit dynamic random access memory (D-Rams).

These new memory chips – each capable of storing more than 1bn bits of data, up to 250 times the capacity of the current generation D-Rams found in personal computers – will be highly complex and extremely costly to develop and make. They are expected to play a significant role in future multimedia products which will require vast amounts of processing power and storage.

"We are discussing the possibility of a four-way alliance," Toshiba said. Siemens said that although discussions were continuing, no final agreement had been reached.

The proposed alliance would build on a partnership between IBM, Siemens and Toshiba formed in 1992 which has already successfully developed 64 megabit D-Rams and unveiled its first fully functioning 256 megabit chips in June in a project expected to cost a total of \$1bn.

The expected participation of Motorola as a member of the alliance reflects the need to share the escalating costs and risks involved in developing increasingly complex semiconductor devices.

"With every generation of chip, the cost goes up geometrically," said one industry official. At the same time, the ability to put ever more circuits on to a small chip tests the technology of even the leading semiconductor manufacturers.

"It is not possible to rely on existing technology but rather some kind of breakthrough is necessary," explained Toshiba. "For that to happen, it is better to pull together more resources."

Other semiconductor makers have been forming partnerships and alliances to share the costs of developing and producing advanced generation chips.

NEC of Japan has an agreement with AT&T of the US and Samsung of Korea to develop various technologies that are necessary to build 256 megabit chips while Hitachi has linked with Texas Instruments in 256 megabit D-Ram development.

IBM and Toshiba are also jointly producing 64Mb D-Rams developed by the alliance. The two companies announced this summer that they will invest \$1.2bn in a manufacturing facility in the US to start commercial production of the 64Mb chips in late 1997.

Meanwhile, Siemens and IBM are producing 64Mb chips from a pilot plant in East Fishkill, New York. Siemens has built a new \$2bn research and production complex in Dresden, which specialises in dynamic random access memory chips and is due to begin production later this year.

The Dresden plant will eventually make the 256-megabit memory chips developed by Siemens with IBM and Toshiba.

Windows95 opens profitable doors ....Page 19
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Claes at crossroads over corruption claims

The Belgian parliament was last night meeting in closed session to decide whether Mr Willy Claes, Nato secretary-general, should be indicted on corruption charges relating to the Agusta bribery scandal, writes Lionel Barber in Brussels.

Mr Claes, above left on his way to parliament, a former Flemish Socialist leader and long-time Belgian government minister, insisted on his right to defend himself in front of his former parliamentary colleagues.

He arrived, flanked by two lawyers, to face a grilling expected to last several hours. Mr Claes has repeatedly protested his innocence in a case over payments in the late 1980s, when he was economics minister, to his Flemish Socialist party by Agusta, the Italian helicopter maker, and Dassault, the French aircraft maker.

The threat to Mr Claes comes at a sensitive time for the Nato alliance, which is preparing to send a force of 50,000 to Bosnia to enforce a tentative peace deal.

Last weekend, a parliamentary panel voted narrowly to recommend that Mr Claes be indicted before the Supreme Court. If the full lower chamber follows suit, the widely held view in Brussels is that Mr Claes would have to step down.

Potential successors at Nato include Mr Uffe Ellemann-Jensen, former Danish foreign minister, Mr Ruud Lubbers, former Dutch prime minister, and Mr Hans van den Broek, EU commissioner for external political relations.

Daewoo pays \$100m for Steyr stake

By John Burton in Seoul and Ian Rodger in Zurich

Daewoo, the South Korean industrial conglomerate, is to buy a 65 per cent stake in Steyr-Daimler-Puch, the struggling Austrian engineering and weapons group, for more than Sch1bn (\$100m) from Creditanstalt-Bankverein, Austria's second largest bank.

The move is the latest in a rapid build-up by Daewoo of its motor manufacturing activities in Europe, and is aimed mainly at getting control of Steyr's diesel engine technology and engine and transmission manufacturing capacity.

Daewoo is expected to invest a further \$150m in the Steyr operations after completion of the deal, expected before the end of the year.

Earlier this year, Daewoo and Steyr bought a 50.2 per cent stake in Avia, the Czech light truck producer, and plan an immediate \$101m investment in a diesel engine line.

In June, Daewoo also signed an agreement to take a 61 per cent stake in FS Lublin, a Polish truckmaker, and in August, it pledged to invest \$1.1bn in FSO, the Polish state-owned carmaker, by the year 2001 in exchange for a 60 per cent stake.

For Creditanstalt, which will retain a 6.2 per cent stake in Steyr, the sale is an important step in its drive to sell off its large industrial holdings.

However, it will buy back several of Steyr's activities which are of no interest to Daewoo. These include a joint venture with Chrysler of the US to make mini-vans and jeeps, a bus production venture which is 80 per cent controlled by Volvo of Sweden, and the Austrian distribution of Fiat cars.

Creditanstalt said it would consider the future of those operations once the Daewoo transaction had been completed.

Steyr's remaining activities will include the production of diesel engines, transmissions, agricultural machinery and rifles. Daewoo is already a substantial producer of weapons.

Creditanstalt said these operations would account for

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Seoul urged to speed reforms, Page 6
Korea trade, industry and finance survey, Pages 9-14

Italian minister defies vote by Senate

By Robert Graham in Rome

Mr Silvio Berlusconi, the former Italian prime minister and leader of the right wing alliance headed by Forza Italia, last night pledged to table a motion of no confidence in the government of Mr Lamberto Dini.

The move was a dramatic conclusion to an extraordinary day in Italian politics which saw the Senate pass an unprecedented motion of no confidence in Mr Filippo Mancuso, the justice minister. Mr Mancuso, however, defied the motion and challenged the legality of the move in the constitutional court. This led President Oscar Luigi Scalfaro to revoke Mr Mancuso's mandate in the justice portfolio and appoint prime minister Lamberto Dini as an interim replacement pending the outcome of a Constitutional Court ruling, due next Tuesday.

Mr Berlusconi said the gravity of the situation had forced him to table a no-confidence motion. The motion, expected to be presented to parliament today, puts at risk the eight-month-old government of Mr Dini. It also places a question mark over the fate of the 1996 budget.

Continued on page 20

Japanese property group sees loss in wake of write-offs

By Gerard Baker in Tokyo

Haseko Corporation, one of Japan's leading property companies, yesterday said it would declare large losses on its land holdings, providing further evidence of the fragility of the country's financial system. The after-tax write-off will amount to more than half the shareholders' capital.

The company, one of the largest builders of condominiums, said the continuing slump in property prices was behind a decision to revise sharply downwards its earnings forecasts for the current financial year.

It expects to record an after-tax loss of Y185bn (\$1.78bn) for the year to next March, against a forecast five months ago of a net profit of Y500m. The reversal was the result of the company's decision to sell part of its large holdings of land, whose value has slumped in the last five years.

At the recurring level – before extraordinary items and tax – the company will record a loss of Y81bn. In the year to last March, Haseko reported a recurring profit of Y5.4bn and an after-tax profit of Y1.3bn.

Trading in the company's shares was suspended yesterday when reports of the losses began to circulate. Before the suspension, Haseko's share price had fallen 7 per cent to Y351. Trading is expected to resume today.

Mr Kohei Goda, president, attempted to reassure investors that the decision to write off the losses was an indication of the company's strength. But the blow at the after-tax level will amount to more than 50 per cent of the shareholders' capital of Y292.3bn. Mr Goda said the company would not pay a dividend for the current year.

Land prices in Japan have collapsed since their peak of five years ago. They were inflated during the so-called bubble economy, the period of speculative increases in asset prices of the late 1980s, when land prices in some urban areas doubled in less than five years.

Construction companies bought up large parcels of land in the rush to develop commercial and residential property. But average urban land prices are estimated to be at least 50 per cent below their peak levels and prices of condominiums have been hit hard.

Haseko is the first construction company to write off a loss stem

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Balkan foes harden stances before talks

By Bruce Clark in London and Laura Silber in Zagreb

Mr Richard Holbrooke, the US peace envoy, yesterday won assurances from President Franjo Tudjman of Croatia that Zagreb would hold back from seizing the Serb-held regions of eastern Slavonia.

But Mr Holbrooke acknowledged that Mr Tudjman had retained the right to use force if he failed to reach an agreement with Serb leaders over the oil-rich area.

Daily threats from Croatian officials, and UN reports of Croatian troops on the move, have triggered fears of an imminent offensive.

On a final round of shuttle diplomacy in the region ahead of peace talks in the US, Mr Holbrooke said in an interview that the main protagonists – Serbia, Croatia and Bosnia – had "hardened their positions in anticipation" of the talks. Despite a week-old US-brokered ceasefire in Bosnia, clashes continued yesterday in the north-west, around the town of Sanski Most.

Bosnian Serb leaders called on the UN to use airstrikes to halt an advance by Croatian and Moslem-led government forces towards Banja Luka, the Serb stronghold.

After interviewing Moslem refugees, Mr John Shattuck, assistant US secretary of state for human rights, accused the Serbs of "horrendous human rights abuse" which he said was "substantial *prima facie* evidence of war crimes, which if confirmed, could lead to indictments" at the International Court of Justice in The Hague.

Mr Shattuck challenged Serb leaders to clarify the fate of some 2,000 Moslems – mostly men – who disappeared from north-west Bosnia. The strong US attack on Serb behaviour raised speculation that punitive action was being prepared.

Referring to controversy in Washington about the despatch of US troops, Mr Holbrooke said: "There will be no successful peace settlement without US involvement. He added, however, that "there will be no despatch of US troops without an iron-clad peace settlement".

However, analysts say the credibility of the Clinton administration in the eyes of all parties – including Bosnia and Croatia – has been weakened by the sceptical reaction on Capitol Hill to plans for the deployment of up to 20,000 US troops in Bosnia. Legislators have posed questions about the precise mission of the US contingent and its likely vulnerability to Serb revenge. The question US officials find hardest to answer is why one year has been specified as the duration of the mission. The Clinton team has denied that the November 1996 election is a factor, but this claim has been received with scepticism.

An administration which is struggling to makes its case in Congress will also find it hard to dissuade the Croatian government from attacking, or the Sarajevo government from consolidating its gains against the Serbs.

The Sarajevo government is a sophisticated reader of the signals in Washington, in close contact with a powerful pro-Bosnian lobby in Congress.

Under one possible outcome – openly advocated by some conservatives in Washington – the need to deploy US troops could be made less pressing by further advances by troops of the Croatian-Bosnian coalition, ultimately confining the Serbs to a small part of eastern Bosnia.

If these advances did take place, and several hundred thousand more Bosnian Serbs are driven out of western Bosnia, there would be little point in deploying a large international force as currently envisaged.

Observers fear the US administration's ability – and perhaps its desire – to prevent this possible outcome could falter if the issue of US troop deployments in Bosnia became part of the Clinton administration's broader differences with Congress.

Reuter adds: Britain's General Rupert Smith will soon be replaced as UN commander in Bosnia by another UK officer, General Michael Jackson, UN officials said yesterday.

Yeltsin seeks replacement for Kozyrev

By John Thornhill in Moscow

President Boris Yeltsin said yesterday he was looking to appoint a new foreign minister in a move which could signal a further lurch towards a more overtly nationalist Russian foreign policy.

The increasingly mercurial Mr Yeltsin has developed a habit of ditching unpopular ministers in public. Last month, he told reporters he intended to sack Mr Alexei Ilyushenko before he broke the news to his discredited procurator general. His comments about Mr Andrei Kozyrev did not appear spontaneous and were repeatedly stressed.

Despite his recent health concerns, Mr Yeltsin appeared in lively form yesterday, stopping to pinch the backs of two female secretaries before the news conference.

Mr Yeltsin, who has been sharply critical of the Foreign Ministry's work in recent weeks, said he was searching for a replacement for Mr Kozyrev – although the foreign minister would remain in his post for now.

Speaking to reporters before leaving today on a trip to France and the United States, Mr Yeltsin said Mr Kozyrev had proved incapable of co-ordinating all of Russia's foreign policy interests. "Dissatisfaction remains. I see no improvement in this work," the president said.

He repeated his tough stance over Nato expansion plans, threatening to take unspecified "protective moves" to prevent it from happening. "We propose a European security system which would exclude the expansion of Nato and the presence of nuclear weapons in the countries of eastern and central Europe," he said.

The more nationalist mood in Moscow is reflected in today's Sevodnya newspaper which publishes extracts from a defence institute report denouncing western influence in Russia and calling for a more aggressive foreign policy.

The liberal Mr Kozyrev has increasingly found himself out of step with that mood despite recent attempts to give his comments a more chauvinist edge. Russian nationalists have mounted a vociferous campaign against him, chastising the Foreign Ministry for failing to assert Russia's interests in the former Yugoslavia. Last month, the lower house of parliament voted for his dismissal. But Mr Kozyrev has been Mr Yeltsin's longest-serving and loyal minister and has survived many scrapes.

At a regular briefing yesterday, a foreign ministry press official said he knew nothing to suggest Mr Kozyrev would be dismissed and western diplomats cautioned against writing him off prematurely. However, his departure would be met with disappointment in many western capitals.

Mr Kozyrev appears keen to remain in politics and intends to run as an independent parliamentary candidate in the northern city of Murmansk in the December elections. That contest could prove vicious – one of his opponents is the sister of Mr Vladimir Zhirinovsky, the inflammatory nationalist and one of Mr Kozyrev's fiercest critics.

Russian president Boris Yeltsin surprises a secretary at a press conference in Moscow yesterday

UK closes the book on EU translation

By Emma Tucker in Madrid

A scheme to take Oscar Wilde to the Portuguese and Virginia Woolf to the Dutch might be expected to go down well with the British.

But it is the UK which is blocking a modestly priced programme to get EU novels and plays translated into and out of the continent's lesser-used languages, such as Finnish, Swedish, and Portuguese.

For more than a year the UK's European partners have been trying to persuade their British colleagues to back the Ariane programme, at a cost of Ecu9.5m ($12m) spent over three years. But at yesterday's meeting of culture ministers in Madrid, the British were not changing their position.

"We want evidence that the smaller languages are discriminated against," a British official said. "A lot of the small member states are in favour of the programme but I do wonder whether they can show that there is a problem."

The Commission argues that while the works of Graham Greene, Primo Levi, and Georges Simenon circulate in many European languages, lesser-known Portuguese poets and Flemish playwrights run the risk of neglect.

"When a theatre has produced an original work and needs a translation, we want to be able to help," a Brussels diplomat said.

Ironically, it was British publishers who soaked up the funds of an earlier pilot project that first promoted translations at an EU level.

Beneficiaries included A S Byatt's Possession and Jeanette Winterson's Oranges Are Not the Only Fruit – both translated into Greek. Oscar Wilde's Intentions made it into Portuguese. Virginia Woolf's Between the Acts was translated into Dutch.

Mr Peter Hoeg, Danish author of the popular Miss Smilla's Feeling for Snow, was another recipient, as was Spain's Antonio Muñoz Molina.

The enthusiasm of British publishers for the pilot scheme did not surprise the diplomats. "We have one of the most sophisticated publishing industries in the world," said a British official. "When there is money lurking around, people are rather good at plugging into it."

The real problem, said the official, was that the Commission, in proposing the project, had not demonstrated the need for intervention. Even if there is a gap in the market that commercial publishers do not want to plug, the British are not convinced it is the Union's job to step in. They believe it is a problem for the market.

British newspaper in EU secrecy victory

By Caroline Southey in Brussels

Campaigners against secrecy in the EU yesterday welcomed a European Court of Justice ruling that the European Council of Ministers was wrong to deny a British newspaper access to documents.

The court found in favour of Mr John Carvel, a journalist working for the London-based Guardian newspaper, who had challenged the council's right to deny him access to the minutes of three of their meetings. He was also refused access to voting and attendance records.

Mr Niels Helveg Petersen, Danish minister of foreign affairs, said the judgment sent "an important signal that the EU is a legal system based on the widest possible public access of citizens". Mr Klaus Hänsch, president of the European parliament, said the decision was a "vital step forward in the parliament's battle to break down the walls of secrecy surrounding decision-making in council".

Mrs Pauline Green, leader of the parliament's socialist group, added the decision would "force the pace on openness and transparency". The European council was "the only law-making body in the whole of the democratic world" that operated with such a high degree of secrecy.

The Guardian's case was backed by the European parliament and the Dutch and Danish governments.

The court ruled the council could not exercise its discretion to withhold documents at the expense of citizens' right to information. The council must, when exercising its discretion, "genuinely balance the interest of the citizens in gaining access to documents against any possible interest of its own in maintaining the confidentiality of its deliberations".

Earlier this month the Council of Ministers agreed a new code of conduct designed to open up its procedures to greater public scrutiny. The code aims to limit the council's ability to keep secret minutes of meetings but it has been attacked because it still gives ministers the right to block the release of documents in special circumstances. In addition, the code will not be applied retrospectively.

Mr Hänsch said the court decision should force the council "to look again at its last timid and half-hearted decision on transparency", while Mr Carvel said "there might be a connection" between the court case and the council's "astonishing change of mood" on openness.

The court might soon be handed another case relating to secrecy following disclosure that the council had refused Swedish journalists access to 18 of 20 documents relating to Europol, the European police intelligence agency. The journalists had been granted access to the documents by the Swedish government.

French trade unions threaten joint action

By John Ridding in Paris

Some of France's main trade unions are threatening joint action to protest against government proposals to reform the social security system, the Communist-led CGT union said yesterday.

The statement, which follows a public sector strike earlier this month against pay curbs, demonstrates the tough task the government faces in cutting the FFr60bn ($12bn) welfare deficit.

Mr Alain Juppé, the Gaullist prime minister, has pledged to eliminate the deficit in the social security accounts by 1997 as part of his strategy to satisfy the budgetary conditions for European monetary union (Emu). He has launched a national debate to prepare measures to curb spending and increase efficiency, with the aim of introducing reforms next year.

But trade unions have reacted angrily to government proposals to raise the daily contribution paid by hospital patients from FFr55 to FFr70 and to limit the increase in hospital spending to 2.1 per cent next year, from 3.8 per cent in 1995.

Mr Louis Viannet, general secretary of the CGT, condemned the "inadmissible increase in hospital contributions" and the fact that it was announced just as the debate on welfare reform was getting under way. He said he was contacting other unions with the aim of launching a joint protest next month.

Mr Marc Blondel, head of Force Ouvrière, one of France's largest union organisations, has adopted a similar stance. He said on Wednesday that he was consulting his union on the possibility of a national strike to protect the social security system.

The FSU union organisation has also expressed willingness to take part in a joint action.

France's traditionally divided trade unions have shown signs of overcoming their differences. The strike earlier this month, which brought many public services to a halt, was the first combined action since 1986. But it is not yet clear whether they can unite on the issue of social security.

The traditionally moderate CFDT union has taken a nuanced stance towards collaboration. "Just because we had that common action does not mean that contacts behind it are developing", said Mrs Nicole Notat, the union's leader.

However, a senior CFDT official warned: "If the government makes proposals completely opposite to ours we will have no hesitation in fighting them."

This month's strike and trade union opposition to the government's reform plans have unsettled financial markets and prompted doubts about its ability to cut the public sector deficits to 3 per cent of GDP by 1997 as the Emu criteria require, compared with a forecast 5 per cent this year.

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Greek unions warn of strike over sell-off plan

Greek unions threatened to strike yesterday unless the socialist government cancels a planned partial flotation of the state-controlled Hellenic Telecommunications Organisation (OTE) within a month, Reuter reports from Athens.

"The government must abandon flotation experiments and guarantee OTE's development if we don't want to be crushed by the competition," said Mr George Maniatis, president of the OME-OTE union, representing 19,000 OTE workers. "This is the last warning; we give them a month and from then on the clash will be intense."

Company officials said the union planned to call strikes in mid-November when the government is expected to announce a new plan to float 6-8 per cent of OTE via the Athens bourse.

Mr Maniatis urged the government to guarantee OTE $3.2bn until the year 2000, to ensure the company can compete when European telecoms are fully deregulated three years later.

The union has blocked two previous privatisation attempts with strike action that brought chaos to Greece's telecommunications.

Mr Yannos Papandoniou, national economy minister, said this week he felt workers were ready to accept the new flotation plan, from which the government hopes to raise about $450m. "The minister feels wrong," Mr Maniatis said. "We oppose any plan that will upset OTE's state character."

A plan agreed between the state and the workers in March 1994 calls for $3.2bn to be pumped into OTE by the year 2000. The government hopes to raise the funds through increased charges and an eventual 25 per cent flotation.

● Bulgaria's unions said they would seek amendments to their government's privatisation programme, to provide better safeguards for small investors and employees. Mr Ivan Neikov, of the Independent Trade Unions Confederation, said companies might clear debts to staff by giving employees equity instead of unpaid wages.

EUROPEAN NEWS DIGEST

Finnish drive to halve jobless

Finland's Social Democrat-led government yesterday announced a raft of measures to support its drive to halve unemployment over the next four years. Finland's jobless rate of 17 per cent is Europe's second highest after Spain.

The package, aiming to lower unemployment by 120,000 from 400,000, will cut taxes on labour, reform the labour market, promote entrepreneurship, increase education and training and boost construction.

Unemployment insurance contributions will be cut next year and labour taxes will be reduced further over the following three years as part of a general assault on high taxes. Some measures, such as making working hours more flexible, involve significant structural reforms in Finland's highly unionised labour market.

The government stressed the programme would not endanger its plans for European economic and monetary union. *Christopher Brown-Humes, Stockholm*

Air traffic deal upsets others

The pay deal agreed between Italy's air traffic controllers and the government has been strongly attacked for breaching guidelines on public sector wages.

Mr Sergio Cofferati, the leader of the CGIL, the country's largest trade union confederation, said the agreement not only breached the pay guidelines operational since 1993, but was also an example of a small group using its position in a strategic sector to reap maximum individual advantage. The agreement followed six weeks of chaos in Italian air travel caused by the air traffic controllers go-slow and ban on overtime.

The 1993 agreement between unions, employers and the government envisaged wages rising in line with projected as opposed to actual inflation. However, the air traffic controllers agreement, according to the CGIL, will mean effective increases of 13.5 per cent. *Robert Graham, Rome*

Cloud over Pole's OECD link

Poland's plans to extend government credit guarantees to the country's shipbuilding industry as part of a five-year restructuring package worth $500m could hinder the country's efforts to join the OECD next year. The plans, which also include provisions for export credit subsidies and prompt reimbursement of VAT and customs payments to shipbuilders, mean that Poland will have to negotiate a transition period if it wants to sign the OECD's shipbuilding agreement, eliminating official subsidies, which comes into force at the beginning of next year.

Mr Klemens Scierski, the industry minister, said yesterday that Poland wanted to sign the agreement but sought to have a transition period in place until the end of 2001. Accession by Poland to the shipbuilding agreement, whose signatories include 80 per cent of the world's shipbuilding industry, is seen as an informal gauge of Poland's readiness for OECD membership. Last year Poland's three main shipyards reported sales worth $816m while the value of their order book is currently at $2.3bn, ranking Poland sixth among the world's shipbuilding countries. *Christopher Bobinski, Warsaw*

Ukraine workers in pay demand

Several thousand trade unionists yesterday picketed Ukraine's cabinet building to demand higher wages and lower consumer prices. The protests were the most visible public reaction to date to the market reform programme begun by the government last year. The cabinet yesterday met union representatives to consider next year's wage bill for the large state sector. Separately, a miners' congress threatened to strike next week unless the government paid workers back pay. Meanwhile, President Leonid Kuchma yesterday used the executive powers to remove Mr Petro Kupin, the elected Communist governor in the eastern industrialised region of Luhansk, in a row over reform. *Matthew Kaminski, Kiev*

Italy closes crime loophole

Italy yesterday closed the legal loophole that allowed terminally ill criminals to commit crimes with impunity. The constitutional court in Rome ruled that, where a sentence had been reached, judges were no longer obliged to free criminals suffering from terminal illnesses such as Aids.

Judge Giuliano Vassalli ruled that whilst there had previously been an obligation on judges to release Aids sufferers, the judges would now be allowed to use their discretion to decide whether to free or imprison. He also ruled that terminal Aids sufferers awaiting trial could be imprisoned or isolated in secure premises.

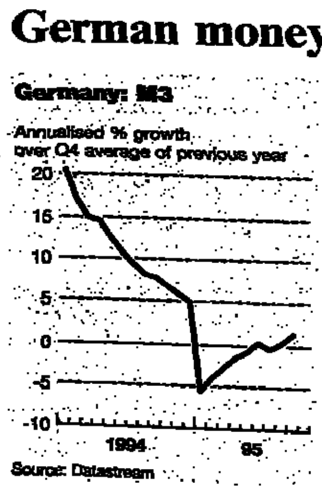
The Aids Gang, three men in the final stages of the illness, have robbed banks in the Turin area unmasked, in broad daylight and without worrying about security cameras that recorded their actions inside banks. They were regularly arrested, but then released because a 1993 law ruled out custodial sentences for those in the final stages of a terminal illness. *Reuter, Rome*

Czech privatisation chief jailed

The former director of the Czech Republic's mass coupon privatisation scheme, Mr Jaroslav Lizner, has been jailed for seven years for corruption and fined Kč1m ($38,000). Mr Lizner, who also headed the securities registry, was arrested last year outside a restaurant in Prague after he had been given a briefcase containing Kč8.3m in cash. He was accused of taking the bribe to fix a stock deal. *Reuter, Prague*

ECONOMIC WATCH

German money growth rises



Germany's money supply growth accelerated last month, but economists said this still left open the possibility of further interest rate cuts by the Bundesbank in coming months. At yesterday's council meeting, the central bank left the discount and Lombard rate unchanged at 3.5 and 5.5 per cent respectively. The Bundesbank said M3 rose at an annualised rate of 1.5 per cent in September over the fourth quarter of 1994, compared with 0.8 per cent the previous month and only 0.3 per cent in July. The September rate was faster than the market had expected and reflected strong bank lending and lower monetary capital formation (in which funds are moved into bonds and other longer term assets outside M3). Despite the pick-up in M3, economists do not expect the 4-6 per cent target growth rate to be achieved this year. Part of the September rise was caused by a statistical overhang at the end of August caused by foreign exchange intervention. Because of the weakening of the economy and low inflation, economists expect interest rates to be cut again by next year. *Andrew Fisher, Frankfurt*

■ French industrial production in July/August rose 0.2 per cent, after a fall of 0.3 per cent in June.

■ Dutch seasonally adjusted manufacturing production rose 0.1 per cent in August compared with July and was 2.8 per cent higher than in the same month of 1994.

■ Portugal's current account in August was Es55.3bn ($368m) in surplus, almost unchanged from a surplus of Es55.1bn in August 1994. The public sector borrowing requirement fell to Es600.5bn in the first eight months of the year from Es686.9bn in the same period last year.

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Defiant rebel minister puts post-war Constitution on trial

Italian senators get rough justice

By Robert Graham in Rome

The paucity of powers at the disposal of the Italian prime minister was dramatically underlined by yesterday's vote of no confidence against Mr Filippo Mancuso, the justice minister.

Despite the public humiliation of being voted against by a large majority of the Senate, Mr Mancuso refused to resign his portfolio.

Indeed he not only chose to insult Mr Lamberto Dini, the prime minister; but claimed the no-confidence motion was illegal and that the Constitution protected him from being ordered around by the prime minister.

The confidence motion itself was the result of Mr Dini lacking the power to sack a minister. Under the 1946 constitution the president appoints the prime minister and cabinet in consultation with the political parties.

If a minister refuses to resign, the prime minister can get rid of him only by the whole government resigning. It was precisely to avoid the resignation and formation of a new government that the device of a no-confidence motion was introduced against a single minister.

For more than five months Mr Mancuso has been the odd man out in the cabinet team. He has gradually placed himself in a position where his presence was an unacceptable embarrassment to the centre-left parties backing Mr Dini.

A stickler for legal forms and profoundly mistrustful of the new breed of aggressive publicity-conscious investigative magistrates, he set himself on a collision course with the anti-corruption magistrates in Milan.

He took every opportunity to initiate disciplinary inspections, the latest being this week against the Milan public prosecutor for informing President Oscar Luigi Scalfaro last November of the impending warrant for Mr Silvio Berlusconi, the then prime minister.

Mr Mancuso refused every request to lower the tone of the confrontation and attacked Mr Dini for being "supine" in failing to support him against the criticisms of the centre-left. These criticisms he repeated yesterday in even harsher terms.

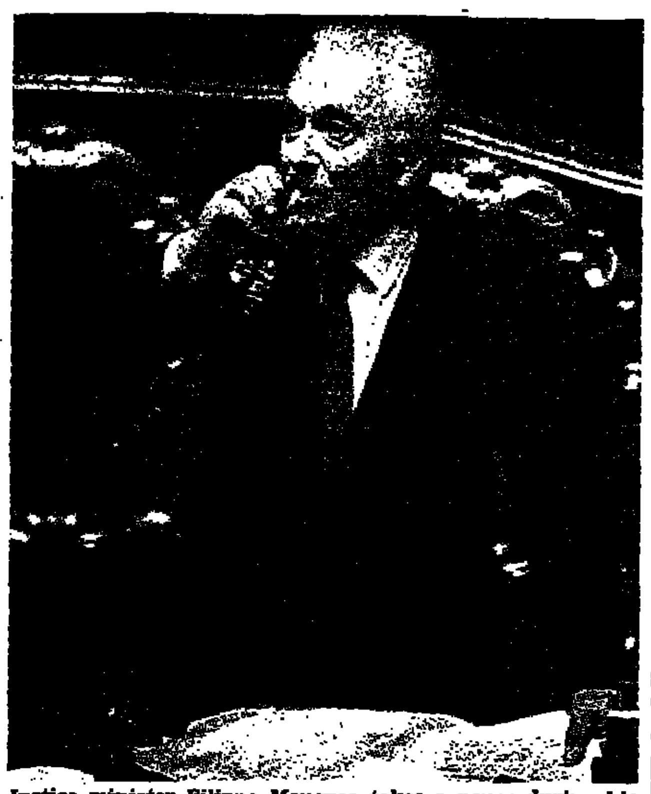
He looked extremely confident, enjoying playing the role of defiant victim of a government being dictated to by the Milan magistrates. But his personal truculence, expressed in long baroque sentences, he and his supporters raised some strong legal arguements which will make the case complex to resolve.

In the absence of any precedents under Italy's post-war Constitution, it is far from clear, given the principle of collegiate responsibility of the cabinet, whether an individual no-confidence motion can be brought.

The government argued that Mr Mancuso had formally broken such collegiality and therefore the motion was valid.

Just as important, the Constitution specifically names the justice minister as having independent functions of inspection – the main source of the move to dethrone Mr Mancuso. The government yesterday said these provisions referred exclusively to the justice minister's powers over the higher magistrates council, the governing body of the magistrature, and not in relation to the prime minister. Ironically among the loudest support for Mr Mancuso yesterday came from the ranks of Mr Silvio Berlusconi's Forza Italia senators.

Mr Berlusconi has been one of the strongest critics of the weak powers available to the prime minister and wants to introduce a presidential system of government.



Justice minister Filippo Mancuso takes a pause during his address to the Senate yesterday before he lost the vote AP

Angry Swiss ready for change

But not as early as in Sunday's election, writes Ian Rodger

For once, passions are running high among Swiss voters in the run-up to Sunday's parliamentary elections.

Up and down the country, in television studios and town halls, everyone is arguing heatedly over important and deeply divisive issues, such as European integration, immigration, welfare spending and drug addiction.

One right-wing party campaigning to tighten restrictions on immigration has even published a list of the nationalities of the prisoners in a Zurich jail. Recent posters of an anti-EU party featured an EU labelled boot, reminiscent of the Nazi boot posters of 50 years ago, stamping on Swiss democratic rights.

But the prospect is nevertheless for very little change in the composition of the 246-member parliament and, as a result, none at all in the carefully balanced make-up of the seven-person governing federal council. It is even unlikely that a majority of adult Swiss will bother to vote in the four-yearly democratic exercise. They have not since 1975.

This paradox arises partly from Switzerland's peculiar democratic processes and its prosperity.

The people know that regardless of what the government and parliament decide on any given issue, they can call for a referendum and reverse the decision. In the past four years, government proposals on momentous issues have been vetoed four times in referendums.

In December 1992 the people refused to join the European Economic Area (EEA), a half-way house to European Union membership. Last year voters forced the government against its will to ban lorry transit traffic through the Alps; and they refused to authorise the use of Swiss soldiers as United Nations peacekeepers.

Last spring they rejected the the government's plan to ease restrictions on property ownership by foreigners.

This does not mean that the government and parliament are irrelevant. Their composition reflects the interests of the country's diverse linguistic, religious and political interests and, on most issues, they succeed in balancing those interests. In the 1991 elections, the largest party won only 44 of the 200 seats in the lower house and the four parties that belong to the governing coalition took 146 seats.

A campaign poster for an anti-EU party shows a Nazi-style boot stamping on Swiss democratic rights

Recent opinion polls suggest very little change in this composition will occur as a result of Sunday's voting. The left-wing Social Democratic party and the right-wing Swiss People's party may pick up one or two additional seats apiece at the expense of the two centrist parties. But if the increased polarisation of Swiss opinion persists, more substantial and disruptive change could come in future elections.

The Radical Democratic party, one of the two centrist groupings feeling the squeeze from the polarisation, tried unsuccessfully three weeks ago to break the so-called magic formula for maintaining balance in the federal council.

When the Social Democrat finance minister, Mr Otto Stich, resigned, the Radical Democrats tried to muster support to replace him with one of their members. Although they failed, they will undoubtedly continue their campaign to push the Social Democrats out of the governing coalition.

Meanwhile, the French-speaking community, which is strongly in favour of European integration, has become more and more disheartened by seeing itself out-voted by the German-speaking majority on European issues. Unless the German-speaking community changes its view – and there is no sign of significant change since the 1992 vote – then politics in French-speaking Switzerland could easily take on a more nationalistic tone.

If a nationalist political force, such as the *Lega Ticinese* in the Italian part of Switzerland, emerged in the French-speaking cantons, it could undermine the dominance of the coalition parties.

But Swiss who are dissatisfied with the *status quo*, for whatever reason, still have a hard time winning much support. The country's economy has not grown rapidly since the fateful vote to eschew European integration, but it has not noticeably been hurt.

The 4 per cent unemployment rate is high by Swiss standards but among the lowest in western Europe. And the Swiss franc is the world's strongest currency.

France seeks to extradite MGM deal fugitive

By Andrew Jack in Paris

The French authorities yesterday began preparing the information necessary to extradite Mr Giancarlo Parretti, the Italian financier, who was arrested in the US on Wednesday and is wanted in France on fraud charges.

Los Angeles police took Mr Parretti into custody on an international arrest warrant issued against him by a French investigating magistrate last May.

Mr Parretti faces allegations of abuse of corporate funds, forgery, fraud and deception in relation to the $1.3bn takeover of the MGM film studios that he orchestrated in 1990.

He was interviewed yesterday by Judge Joseph Reichmann in connection with his refusal to appear before the French courts in May, and was refused bail. The French authorities have 40 days to prepare the documents necessary to extradite him. Mr Parretti bought MGM from Mr Kirk Kerkorian, the US financier, largely through loans provided by CLBN, the Dutch subsidiary of Crédit Lyonnais, the state-owned bank.

He partly financed the transaction through Melia International, a subsidiary of Sasea, the group controlled by Mr Florio Fiorini, a fellow Italian financier who was eventually jailed for six years by a Swiss court in June this year on five counts of fraud after Sasea went bankrupt in 1992.

By April 1991, Crédit Lyonnais had launched a legal action to take control of MGM, shares of which were used as security for its loans, after it said Mr Parretti was in default on his payments.

MGM fully came into the bank's control in 1992, and has now been hived off into a special company underwritten by the French state as part of a financial restructuring package for the bank.

Mr Patrick Fiévet, a Paris-based magistrate, has been examining the circumstances of the MGM takeover since 1991. In March this year he formally placed Mr Parretti under investigation, and at the start of May he issued a warrant for his arrest.

Separately, Mr Parretti faced an extradition request from the US authorities relating to allegations of perjury when he appeared in a Delaware court in an action in which he counter-sued Crédit Lyonnais.

Until recently, he was living in his apartment in Rome, ignoring requests to come to France and fighting at every level of appeal the extradition requests from the US.

Germans step up tax probe of flight capital

By Andrew Fisher in Frankfurt

German tax authorities have stepped up their investigations into people suspected of evading tax by sending money abroad, prompting sharp complaints from two of the country's leading banks.

As a three-year jail sentence was passed on a consultant who tried to blackmail Commerzbank for a list of customers investing money in Luxembourg, tax investigators said up to 2,000 clients of the bank were being investigated for possible offences.

A prosecutor in Düsseldorf also said investigations had been stepped up into customers of Dresdner Bank for possible tax evasion. Dresdner has repeated its objections to the way the matter was being handled.

The cases, like those at several other German and foreign banks which have been visited by tax officials, centre on the 30 per cent withholding tax levied by the German government on investment income and attempts by private investors to avoid paying this.

It is not illegal for people to invest money abroad, but the earnings on such investment must be declared for tax.

At a time when German taxes are high to meet the cost of reunification, the subject of tax evasion has become prominent.

The case of Steffi Graf, the tennis star, has highlighted the issue even more. Her father is in jail while allegations of tax evasion on her earnings are investigated and she has also been questioned. The Opel car company is ending a lucrative sponsorship deal with her.

In the case of the banks whose customers are being investigated, authorities are keen to know whether the banks themselves advised that funds be sent to Luxembourg to evade tax.

Banks have denied they gave encouragement in this way. Dresdner said almost everyone who invested money in Luxembourg now fell under official suspicion of tax evasion, adding that active help for tax evasion had apparently been proved against none of its employees.

Commerzbank is taking legal action over a list of customers handed by prosecutors to the tax authorities after the failed blackmailer, who had demanded DM5m ($3.5m), was arrested this summer.

It contains names, account numbers and sums invested, though no addresses, of 1,600 clients at Commerzbank International in Luxembourg.

NEWS: INTERNATIONAL

Ambitious Zanzibar tempted by secession

A nascent economic boom is straining ties with the mainland, writes **Michela Wrong**

Tanzanians are fond of comparing relations between their mainland and the small islands of Zanzibar to a marriage. Such a union, they argue, needs understanding and give-and-take to work. But a wilful Zanzibar appears to have grown tired of her dour larger partner, and it is *not another* suitor that is enticing her away. It is the gleam of potential riches.

After decades of grinding poverty, prosperity once again beckons for the legendary spice islands, one of Africa's richest nations before it was swallowed up by Tanganyika in 1964. That prospect, as much as the resentment generated by years of suppressed national identity, threatens to sabotage the 31-year union.

In what are expected to be closely contested presidential and legislative elections on Sunday, their first multi-party polls, Zanzibaris will decide whether to stay with the union and an improving *status quo*, or loosen the ties with the mainland and risk creating a powerful enemy.

Underpinning the debate is the islands' extraordinary transformation since Tanzania turned its back on former president Julius Nyerere's disastrous economic policies.

Encouraged by tax incentives offered by the local government – including the creation of two free economic zones and plans for a free port – Italian, South African and other foreign investors have poured into the tourism sector, which has now replaced the clove industry as main foreign currency earner.

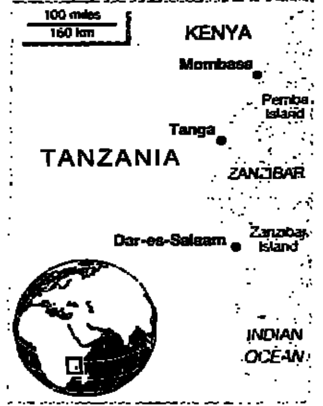
Decaying Arab palazzos are being turned into five-star lodgings to steal trade from the dreary Soviet-style government hotels. Chic galleries selling designer wear now compete with T-shirt shops for backpackers. Tourist numbers, hardly 30,000 five years ago, should touch 100,000 this year.

"In 1990 economic growth was minus 3 per cent, now it is 4.5 per cent," said Mrs Amina Salum Ali, the finance minister. "We hope it will reach 8 per cent in the next five years." Others talk of turning Zanzibar into the next Singapore, Mauritius or Hong Kong.

With so much more at stake, the link with the mainland seems increasingly irksome.

Ever since Zanzibar was *united with Tanganyika* after a anti-Arab uprising that left 17,000 dead, many islanders have suspected they got a raw deal. The subsequent union agreement gave Zanzibar its own president, legislature and limited powers, but left ambiguities open to exploitation.

Under the deal, for example,



oil is defined as a union matter, which means Zanzibar's recent oil discoveries would have to be shared. But gold, which is found on the mainland, does not enjoy the same classification. As for donor aid, Zanzibaris believe most of that has passed them by.

"Nyerere was very cunning. As the years go by most important affairs have been moved to the mainland," said Mr Seif Sharif Hamad, presidential candidate for the opposition Civic United Front (CUF). "Zanzibar has suffered enormously. So we want to renegotiate the terms of the union."

The CUF is lobbying for a new arrangement with three parliaments, one giving Zanzibar a greater level of financial autonomy than it enjoys today, one for the mainland and one dealing with federal affairs.

Its opponents in the ruling Chama Cha Mapinduzi (CCM), which is hoping to see President Salmin Amour returned to power, insist that the CUF's secret aim is independence. "The people talking about increased autonomy are not interested in the union," said Mr Ali Ameir Mohamed, CCM deputy secretary-general. "What they really want is secession."

As campaigning has revealed the level of popularity enjoyed by the CUF among Zanzibar's 350,000 voters, the ruling party has hurled more damaging accusations, claiming the CUF is an Islamic party with a fundamentalist agenda, funded by Arab exiles in Oman, Dubai and Saudi Arabia and determined to win the land lost to indigenous Africans in the 1960s.

"If the CUF wins the elections the situation will be unmanageable," said Mrs Amina. "Indigenous Zanzibaris will never sit quietly and agree to be governed by the people they kicked out in 1964. If they win I give them two years at most."

The fact that talk of "indigenous" and "non-indigenous" Zanzibaris, suppressed under the anti-tribalist Mr Nyerere, is once again fuelling political debate on the islands worries those who lived through the horrors of the 1960s.

"I had hoped that 30 years after the revolution a certain cohesion had developed, but I've been proved wrong," said Professor Haroub Othman, a university lecturer in development. "We've gone back 30 years as far as ethnic tensions are concerned."

Ironically, a political debate fuelled in part by a nascent economic boom is already damaging the ardently desired recovery. Expectations of election day violence have hit tour bookings, usually at their peak at this time of the year. The main port, normally a busy thoroughfare for Arab dhows, hydrofoils and cargo ships, has gone quiet.

Semiconductor makers opt to chip in

Louise Kehoe and **Paul Taylor** on overcoming the costs of designing complex chips

The disclosure that four of the world's largest semiconductor manufacturers are considering a plan jointly to develop the next generation of memory chips highlights the risks and costs associated with designing the complex semiconductor devices that will drive the electronics industry into the 21st century.

International Business Machines, Toshiba, Siemens and Motorola confirmed yesterday that they are discussing a joint development project aimed at building a 1-gigabit dynamic random access memory chip.

These memory chips, capable of storing vast amounts of information, are expected to begin appearing soon after the turn of the century in multimedia and other products.

If the four go ahead with the joint project, it will represent a significant extension of the string of design and development alliances that have come to characterise a semiconductor industry faced with sharply escalating costs.

It need not, however, mean that the partners will jointly make the devices, even though there is an increasing number of semi-conductor manufacturing joint ventures.

Siemens, the German electronics group, and IBM formed their first joint venture to develop 64Mb D-Ram chips in July 1991. A year later the partnership was expanded to include Toshiba, the Japanese group, and was extended to cover the development of 256Mb D-Rams.

At that stage the partners estimated the costs of the 256Mb project – based at the Advanced Semiconductor Technology Centre in East Fishkill, New York – would cost about $1bn, split three ways.

The 256Mb project, which involved about 100 engineers, is reported to have run smoothly and the three partners presented the first fully functioning chips in June.

However, the proposed new project represents another order of magnitude in terms of both cost and complexity. So far each new generation of D-Ram chips has cost between 15 per cent and 20 per cent more to build than its predecessor. Moving from 256Mb to 1Gb could involve a much steeper increase.

The bulk of D-Ram production today is focused on 4Mb and 16Mb devices which involves designing and building chips with silicon structures as small as 0.5 thousandths of a mm (microns).

But to squeeze all the circuitry needed for a 1Gb chip on to a 500sq mm of silicon will require reducing the size of the structures to 0.18 microns. At the same time, the manufacturing process will have to achieve an unprecedented level of perfection – less than [illegible] defects per sq cm.

For these reasons, designing a 1Gb chip is likely to take years and the first commercial chips are unlikely to appear before 2001 at the earliest.

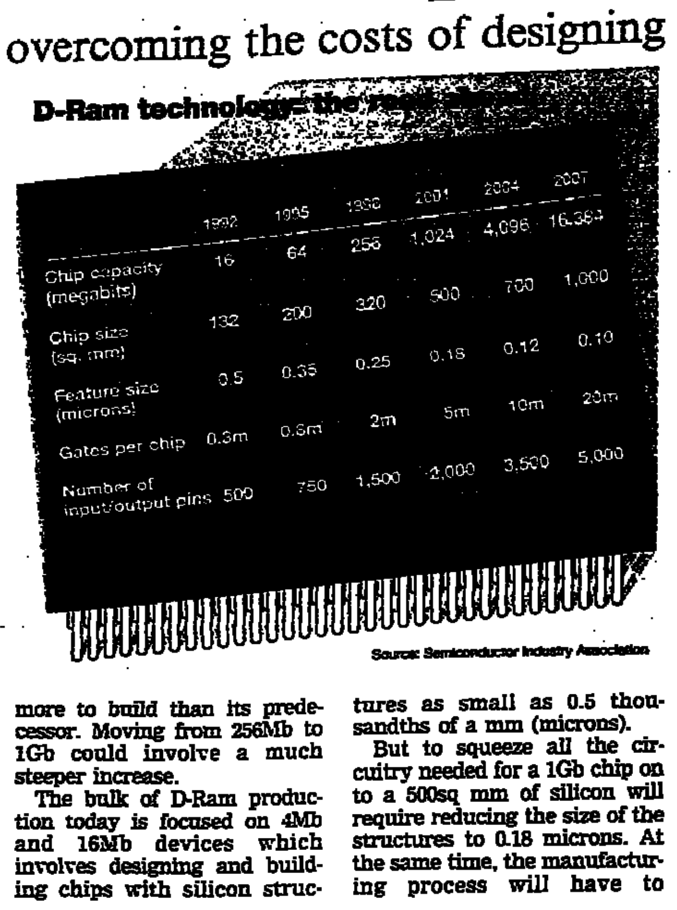
Although Motorola is a leading manufacturer of semiconductors, it has less than a 5 per cent share of the fast-growing worldwide market for D-Rams through a joint manufacturing venture with Toshiba, called Tohuku, in Sendai, Japan.

The global D-Ram market will be worth about $25bn this year according to Integrated Circuit Engineering, a US market research group, and by 1999 is expected to grow to almost $50bn.

Motorola is understood to be anxious to expand its presence in the D-Ram market while the huge costs involved in developing advanced semiconductors and the increasing complexity of the technology make it attractive for the other members of the IBM, Toshiba and Siemens alliance to welcome a new partner.

High tech stocks surge, Page 19

D-Ram technology: the [illegible]



	1992	1995	1998	2001	2004	2007
Chip capacity (megabits)	16	64	256	1,024	4,096	16,384
Chip size (sq. mm)	132	200	320	500	700	1,000
Feature size (microns)	0.5	0.35	0.25	0.18	0.12	0.10
Gates per chip	0.3m	0.6m	2m	5m	10m	20m
Number of input/output pins	500	750	1,500	2,000	3,500	5,000

Source: Semiconductor Industry Association

Lebanese president given three more years

Hrawi: "extension for the stability of the pound"

By Roula Khalaf, Middle East Correspondent

The Lebanese parliament yesterday passed a constitutional amendment allowing a three-year extension of President Elias Hrawi's six-year term without fresh elections. The president is elected by parliament.

The extension ensures that the government of Mr Rafiq Hariri, the billionaire prime minister and architect of the country's $30bn reconstruction programme, will also remain in office.

The country's Christian leaders complain that it bodes ill for Lebanese democracy. It should, however, increase confidence in the economy by maintaining the stability of the Lebanese pound. "An extension for Hrawi is an extension of the stability of the pound," a Beirut banker said yesterday.

Since Mr Hariri was appointed prime minister in 1992, he has boosted confidence in the country and attracted investment. That confidence, however, remains tightly linked to Mr Hariri's leadership.

Every time Mr Hariri threatens to resign – and he has on several occasions – the Lebanese rush to shift their funds into dollars, fuelling a run on the pound.

The vote on the amendment, which means scrapping the presidential elections planned for this year, follows a decision taken in Damascus, the main power broker in Lebanon, to maintain the *status quo* in Lebanon while peace talks with Israel remain stalled.

Although only last May, the 128-member parliament, led by Mr Nabih Berri, a rival of Mr Hariri, was against the amendment, most of the deputies quickly fell in line when Syrian President Hafez al Assad blessed the move last week. Mr Hrawi yesterday won backing *from 110 out of the 121 parliament* members present to extend his term, which expires on November 24.

Lebanon's Christian community, which has been gradually sidelined since the end of the civil war in 1991, has reacted angrily to efforts to keep Mr Hrawi in office.

"What legal guarantees remain for the Lebanese citizen since his constitution can be amended any moment, so easily, with an outside decision and against the opinion and the will of the Lebanese people who have been sidelined?" said Maronite Patriarch Nasrallah Boutros Sfeir, the most respected voice of the fragmented Christian community, in his Sunday sermon. "Isn't all this an indicator that the democratic system is dying?"

Since Syria would play a central role in deciding on a new president in the event of elections – a majority of deputies in parliament are pro-Syrian – *extending Mr Hrawi's term or* electing a new pro-Syrian president should make little effective difference.

The issue, however, occupied Lebanese political circles all year and created considerable uncertainty which put pressure on the Lebanese pound. Central bank intervention in its support led to an erosion of net foreign exchange reserves this year.

According to Lebanon's Banque Audi, excluding commercial banks' foreign exchange deposits and a $300m Eurobond issue, this year, reserves dropped from $2.7bn at the beginning of the year to $1.3bn at the end of September, before moving back up to $1.6bn by mid-October.

According to bankers, a factor behind the recent pick-up has been the rising expectation, fueled by Syrian and Lebanese officials' hints, that the Hrawi-Hariri team would stay on.

House test in battle on Medicare

By George Graham in Washington

Sweeping changes to the Medicare programme providing health insurance for the elderly headed for a vote in the House of Representatives yesterday after a last-minute frenzy of political argument, name-calling and backroom dealmaking.

Republican leaders said they were confident of winning the vote, but were still battling to ensure the support of a handful of disgruntled members.

They also had to fend off a barrage of criticism from opposition Democrats, who said the bill, which aims to cut Medicare spending from its projected path by $270bn over the next seven years, would harm the elderly.

President Bill Clinton said the cuts would "eviscerate the health care system for our older Americans. I will not let you destroy Medicare. I will veto this bill," he said.

Mr Clinton opened the way for compromise, however, by accepting for the first time that it was possible to reduce the budget deficit to zero in seven years – the basic premise of the Republican plan. He also said his own plan for balancing the budget would bring the deficit to zero in nine years, not 10 as he originally said, because of improvements in the economy.

The worst worry for Mr Newt Gingrich, the Republican speaker, was the last minute qualms of some of his own party – especially a group of 18 members led by Congressman Greg Ganske, a plastic surgeon from Iowa, who complain that the bill's formula for Medicare payments would harm rural areas.

If all 18 stuck to their threat to join the 199 Democrats in voting against the bill, Mr Gingrich's majority would disappear. Mr Gingrich dismissed their objections as "Christmas shopping."

"Any time you are in the last 48 hours before a major vote, 17 people show up who suddenly figure out you need their vote, and they have this one thing they haven't gotten yet," he said.

In a preliminary vote yesterday morning on the rules for debate on the Medicare bill, the Republicans suffered only one defection, offset by one Democratic vote.

Even a defeat on the House floor would not mean the end of the Medicare reform bill. Yesterday's vote was largely symbolic since the measure is expected to be rolled into the broader reconciliation bill, which also incorporates tax cuts and a host of other spending reductions and which Republicans hope to complete next month.

But Mr Clinton yesterday threatened to veto the reconciliation bill, too, complaining of its "extreme spending cuts and huge tax cuts."

The reconciliation bill, meanwhile, is tied up with wrangling over legislation to increase the legal ceiling on US government debt from its current level of $4,900bn, which is likely to be hit in early November.

Mr Mike McCurry, the White House spokesman, said yesterday that the administration was finding it hard to negotiate on the debt ceiling because the Republicans were "flopping around like fish."

Mr Gingrich and Senator Robert Dole, the Republican leader in the Senate, met on Wednesday evening with Mr Alan Greenspan, the chairman of the Federal Reserve. The White House was hopeful that Mr Greenspan would persuade the Republican leaders not to run the risk of a US government default by using the debt ceiling as a bargaining chip.

"My guess is Alan Greenspan, at least, was able to get some sense through otherwise thick skulls," Mr McCurry said.

US home starts are still strong

Construction starts on new homes and apartments fell slightly in September, the US Commerce Department said yesterday, a second straight monthly decline that still left building activity at a relatively high level, Reuter reports from Washington.

Total starts were down 0.1 per cent to a seasonally-adjusted annual 1.39m following a revised 2.8 per cent drop in August. Previously, the department said starts rose 0.6 per cent in August to a rate of 1.398m.

The department also revised July starts to show a big 10.3 per cent rise to 1.43m instead of a 7.1 per cent gain. "The housing market is taking a breather after the rigorous pace seen earlier," Mr Kevin Flanagan, economist at Dean Witter Reynolds, said.

Despite the easing in September, cheaper interest rates seem to have spurred a stronger trend in housing activity as the year wears on. Third-quarter building starts were running at about 1.4m annually, up from 1.28m in the second quarter. Moderate economic growth, with little or no inflation, has fostered revival in housing, as interest rates have remained favourable for the past few months.

LA cops clean up city's streets

Police get $600,000 extra to tackle recyclable waste thieves, says **Christopher Parkes**

The Los Angeles Police Department has been recruited by the city sanitation bureau to protect residents' old newspapers, cans and bottles from the ravages of organised scavengers. An estimated $2m of recyclable waste a year is stolen from under the noses of the official garbage collectors.

Under a scheme approved this week, the sanitation office will recycle some $600,000 a year of its income from sales of recyclable waste into overtime payments for police who will patrol the streets during the night and early morning hours on the look-out for the thieves.

"Since the increase in waste paper prices we have been losing about two-thirds of our newspapers and half our income," said Mr David Mays, recycling spokesman for the sanitation bureau.

Although the price of old newsprint is down to around $100 a tonne, well off the $200 peaks which first attracted commercial-scale scavengers last year, unauthorised collection is still attractive.

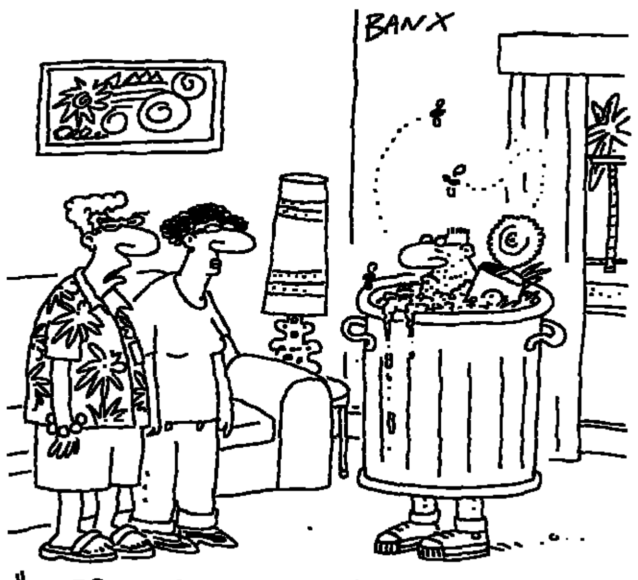
Although more troublesome and noisy to collect, and therefore more likely to attract unwelcome attention from patrolling officers or irritate residents, aluminium cans are also valuable.

The scheme has the merits of being both fiscally and environmentally sound as well as providing incidental extra security by virtue of the increased police presence in residential areas. It is to be introduced following a successful $15,000 pilot operation in the San Fernando Valley area.

As the policemen impounded trucks, doled out tickets and made a handful of arrests, the volume of recyclable materials picked up by the official collectors increased 30 per cent in the trial area. Volumes decreased in neighbouring streets as the scavengers moved on, but council member Ms Laura Chick who promoted the pilot was not discouraged.

While income is valuable to the cash-strapped authority, Ms Chick was concerned that LA's official recycling effort – launched five years ago to meet the demands of a state law that Californian cities must cut the volume of garbage consigned to landfill sites by 25 per cent – should not lose popular support.

According to Mr Mays, the city is ahead of the game. Thanks to the recycling effort and the introduction of green bins for compostable garden waste following a ban on air-polluting garden bonfires, the volume of solid waste sent to dumps from Los Angeles garbage cans is 30 per cent less than in 1990.



"VERNON'S WORKING UNDERCOVER FOR THE LAPD."

The challenge now is to match the requirements of stage two of state regulations which limit land-fill dumping to 50 per cent of 1990 levels.

Although most LA residents still readily sort paper, plastics and cans into green, yellow and red kerbside roadside containers, some people in the areas where the scheme was first introduced have stopped taking the trouble. This is partly due to the extra effort required, but mainly because they realised they were attracting unknown night-time visitors into their neighbourhoods.

Scavenger gangs, who face fines and even prison for theft (once household waste is deposited in official containers it becomes city property) typically comprise four of five men or boys who either load a coasting pick-up truck as they run alongside, or collect individually on foot or bicycle, shuttling between residential streets and a "base" truck parked discreetly out of sight.

Police reports show they do not take kindly to interventions from official garbage collectors or residents.

According to Mr Mays, the sanitation department gave full backing to Ms Chick's initiative mainly because of concern over falling participation.

About 40 years elapsed before environmental awareness was restored following the last occasion Los Angelenos lost their taste for recycling. That was in the 1950s when, as well as sorting out paper, glass and metal, residents were especially resentful of the need to separate food scraps for the pig swill roundsmen.

Mr Sam Yorty, who became known as "Commingling Sam" was elected mayor partly on the strength of his promise that voters would be able to throw all waste into one dustbin which would then be disposed of in the then-abundant landfill sites.

Cavallo sees more pain on patents

By David Pilling in Buenos Aires

Mr Domingo Cavallo, Argentina's economy minister, faces further bitter conflict with Congress after the passage of a presidential decree that runs roughshod over congressional legislation on intellectual property rights.

The decree, issued on this week by President Carlos Menem at the request of Mr Cavallo, will make it much harder for Argentine companies to copy products, especially pharmaceuticals, without paying royalties. Argentina's pharmaceutical market is worth $3bn a year.

Mr Cavallo has argued consistently that the law passed by Congress earlier this year was not up to international standards. The US government, which has pressured Argentina to pass a tough patents law, is understood to be delighted with the new decree.

Congressmen yesterday reacted angrily to the move, which they said "substantially" changed the legislation they had passed. Mr Humberto Roggero, president of the Industrial Commission at the House of Deputies, said there was a "very good chance" Congress would veto it. Some congressmen were considering asking the courts to declare the decree unconstitutional, he said.

"We are very angry at the lack of respect for our democratic institutions," said Mr Roggero, who placed the blame for the decree squarely on the shoulders of the economy minister. Mr Cavallo, whose economic reforms and combative style have often alienated congressmen, has had several run-ins with Congress.

Argument over intellectual property rights centres on the phase-in period for the new legislation, as well as on the circumstances under which "compulsory licences" can be issued without the consent of the patent-holder.

Congress, which originally demanded a 10-year phase-in period, this month agreed to cut this to five years. According to Mr Roggero, the decree "effectively wipes out" the transition period. "It obliges companies to pay royalties not only on new products but also on existing ones," he said.

Senate Cuba bill is watered down

By George Graham

The Senate yesterday prepared to pass legislation tightening the US embargo against Cuba, but only after gutting the bill of most of its toughest measures.

Democrats agreed to abandon a filibuster when the bill's chief sponsor, Senator Jesse Helms of North Carolina, admitted defeat and agreed to drop a provision that would have allowed lawsuits to be filed in the US against anyone handling expropriated property in Cuba.

The administration and Senate Democrats argued that this could clog an already overburdened federal court system with 430,000 new suits, besides aggravating relations with third countries.

Many of the other measures in the bill had already been removed, including a provision requiring the State Department to deny visas to any foreigner who handles property confiscated from US citizens. A ban on imports of sugar from any country that has itself imported Cuban sugar had also been watered down.

The chief measures left in the bill set out steps for helping a transition government in the event that the government of Mr Fidel Castro falls or steps down.

"The one thing that remains is not really a club against Cuba but maybe a carrot to let Cubans know that if there is a transition, there will be help available," said one analyst.

The House of Representatives last month voted for a much tougher set of Cuban embargo measures, and some proponents of tougher sanctions against the Castro regime still hope to stiffen the bill in negotiations to reconcile the two chambers' versions.

NEWS: ASIA-PACIFIC

Creditors pressed on Japan bank debts

By Gerard Baker in Tokyo

The first clear evidence of likely international fallout from Japan's banking crisis emerged yesterday when the country's financial authorities confirmed they were asking foreign creditors of a failed bank to write off a proportion of their loans.

The news came as the "Japan premium", the extra interest charged to Japanese banks' borrowings in international markets, edged up to a new high.

The finance ministry said overseas holders of subordinated debentures in Hyogo Bank, which collapsed in August, would be asked to write off 40 per cent of their claims on the bank.

Hyogo had more than $150m (£95m) worth of such debt outstanding, issued through its overseas branches.

If foreign creditors accept the request, it will mark the first time international lenders have lost money because of a banking failure in Japan. It seems certain to increase nervousness about the risks associated with lending to the troubled Japanese banking sector, which has recorded three failures in the past three months.

A subordinated debenture is a bond repayable only after all other debts in a bankrupt institution have been repaid. Hyogo Bank began to issue dollar-based subordinated debentures with a maturity of 10 years in 1991 in an effort to raise its capital adequacy ratios.

The authorities are also requesting domestic bond holders to write off the same proportion of the value of their debentures, officials said.

Hyogo Bank collapsed two months ago with total bad debts of an estimated Y800bn (£5bn). The ministry of finance has repeatedly said domestic depositors in failed institutions would be fully reimbursed. It has also said normal interbank lending would be protected.

But other liabilities, such as longer-term debts, bonds and debentures are vulnerable, and this has foreign bankers worried. The news that Hyogo Bank's failure could cost overseas investors up to $60m will increase their concerns.

The finance ministry may face a legal challenge to its request. Hyogo Bank is not yet technically bankrupt and some bond-holders may be reluctant to give up their creditors' rights

Japanese banks' continuing problems were highlighted again as the Japan premium rate reached 0.31 percentage points over interbank offered rates in London for even the strongest banks. Weaker banks now face a premium of up to 0.4 percentage points.

But the country's leading financial official tried to play down the significance of the premium. Mr Kyosuke Shinozawa, vice-minister for finance, said yesterday: "The country's banks are not in a state that would immediately lead to significant problems in their securing liquidity".

Mr Shinozawa refused to confirm or deny reports the authorities had enlisted the support of the US Federal Reserve in providing emergency lines of credit to banks, but said: "The finance ministry and the US financial authorities are maintaining close consultations in a timely and appropriate manner".

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Fed denies discussing Daiwa trader at meeting

By Richard Waters in New York

Mr William McDonough, president of the Federal Reserve Bank of New York, discussed internal control weaknesses at Daiwa's New York branch with a senior official of the Japanese bank two years ago, the Fed said yesterday.

However, Mr McDonough denied a report that the meeting had included a discussion about Mr Toshihide Iguchi, the Daiwa trader who last month was revealed to have hidden losses of $1.1bn (£700m) sustained over more than a decade.

The revelation that Mr McDonough talked personally with Daiwa about its control problems will nevertheless add to the Fed's embarrassment over the scandal.

Representative Jim Leach, chairman of the House banking committee, has criticised the US regulators for their failure to uncover the massive fraud in the bank's New York branch in its regular examinations, and for failing to follow up on concerns it had expressed about the bank's internal controls.

The New York Fed called the meeting, which took place on October 4, 1993, as a "courtesy visit" between Mr McDonough and Mr Takeshi Ohta, then head of Daiwa's international division. The two met after that year's World Bank meeting in Washington in one of a number of informal meetings with foreign bankers that Mr McDonough held at that time, the Fed said.

No notes were taken by the Fed officials present. However, a Fed spokesman said both Mr McDonough and Mr Ohta recalled discussing the bank's internal control weaknesses, which had come to light in the Fed's first examination of the bank the previous November. The New York Fed added that it had been assured by Mr Ohta personally yesterday that Mr Iguchi was not discussed at the meeting.

The Fed said last month that it had asked Daiwa to make some changes to its control procedures after its 1992 and 1993 examinations, and that the Japanese bank had said it had complied with the request. It has emerged, though, that Mr Iguchi continued both to trade and settle bond transactions for the bank, contrary to the Fed's request.

Seoul urged by OECD to speed reforms

By Jack Burton in Seoul

A survey mission from the Organisation for Economic Co-operation and Development has told South Korea it must do more in removing barriers on capital movements and invisible trade if it wants to join the group of advanced industrial nations by next year.

The OECD mission, which has just completed a study trip to Korea, said the country's five-year financial reform programme was "well thought-out but needs to be speedier", according to the Ministry of Finance and Economy in Seoul.

The biggest concern was raised over restrictions on capital movements, which include foreign direct investments, property transactions and the opening of financial markets to international investors. Korea meets only 12 of the OECD's 91 requirements on capital transfers.

The 18-member delegation from the OECD Secretariat raised the possibility that Korea's application might be *blocked by member states* "unless significant improvements are made" in capital movements.

It recommended a significant increase in the foreign shareholding limit in a listed company beyond the present 15 per cent, the easing of rules on takeovers of Korean companies by foreigners, and a wider opening of the bond market to overseas investors.

Korea argues that it must pursue a gradual liberalisation of capital movements because of concerns that a rapid inflow of overseas funds, attracted by the country's high interest rates, would destabilise the economy by increasing the money supply and inflation and cause the Korean currency to appreciate.

But the OECD group disagreed with this assessment and suggested such fears were exaggerated.

Korea also falls short of meeting requirements on invisible trade, having fulfilled 30 of the 57 OECD liberalisation codes in this area.

The delegation expressed reservations about the extent of the opening in the insurance sector.

It remains uncertain how Korea will respond to the OECD's recommendations. Seoul is seeking exemptions from some requirements, with the promise that they will be met later.

But some OECD members are believed to be demanding that Korea should fulfil significant portions of the group's codes before being allowed to join because of Seoul's record *in delaying or reversing liberalisation measures.*

Mr Robert Rubin, the US treasury secretary, said last week that OECD entry requirements cannot be specially eased for Korea.

Mr Hong Jae-hyong, the finance and economy minister, recently suggested that Korea may be forced to delay its scheduled OECD membership beyond 1996.

See survey: South Korea: Trade, Industry and Finance

Top Manila hotel sell-off frozen

By Edward Luce in Manila

The Philippine supreme court issued an order yesterday to freeze privatisation of the historic Manila Hotel at the request of a losing bidder.

The ruling is the latest in a series of judicial decisions which have halted large private contracts, to the concern of foreign executives.

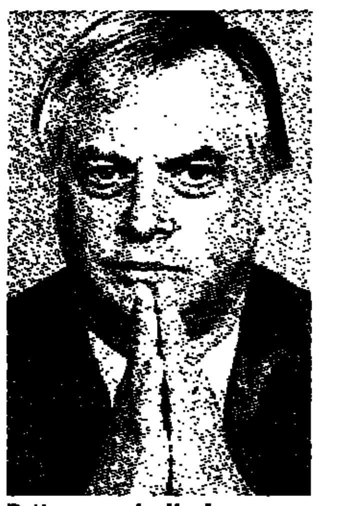
"It seems virtually every major project undertaken in the Philippines is delayed or completely derailed by disgruntled losers or vested interests," said Mr Peter Wallace, president of AYC Consultants, a consultant group for foreign companies, in Manila yesterday.

The restraining order on the Manila Hotel, headquarters of General Douglas MacArthur before and after the second world war, was based on a contested law which implies Philippine companies should be given priority over foreign companies in privatisation contracts. It comes a month after ITT Sheraton and Renong Berhad, a Malaysian group, paid 673m pesos (£16.5m) for a 51 per cent stake in the hotel. The petition was launched by the Manila Prince Hotel group, third in the bidding.

Earlier this year the supreme court held up a 15km light railway mass transit scheme, intended to ease Manila's traffic problems, owing to complaints that the rail consortium was foreign majority-owned. The government has also been criticised for cancelling the first round of bidding in April for a gas-fired power station in Batangas, south of Manila, owing to the winning bidder's alleged links to Westinghouse of the US.

Patten is left friendless in HK

Human rights issue isolates governor, writes Simon Holberton



Patten: marginalised

When Mr Chris Patten, Hong Kong's governor, quipped last week that he assumed China was interested in winning Hong Kong's hearts and minds and "not just taking over the real estate" in 1997, most people thought he was making one of his not very diplomatic jokes at the expense of Beijing.

But the recommendation to the Chinese government this week by the Preliminary Working Committee (PWC), an appointed group of Communist party officials and wealthy Hong Kong citizens, that the colony's Bill of Rights, an important guarantee of civil liberties now and after 1997, be watered down has given a certain less than humorous poignancy to Mr Patten's remark.

On Tuesday the PWC recommended that the Bill of Rights either be scrapped or amended to remove its power of precedence over other Hong Kong laws. It also recommended reversing recent amendments to Hong Kong's laws which it claimed "undermined administrative power and have had an adverse effect on the maintenance of social stability".

This was followed on Wednesday by Mr Jiang Enzhu, China's vice-foreign minister, who said that Hong Kong's democratic rights would be protected by the Basic Law, Hong Kong's post-1997 constitution. "All other laws have to abide by it," he said.

The Bill of Rights was one of three elements in an *ad hoc* package the Hong Kong and British governments devised to shore up confidence in the colony after the massacre in June 1989 of Tiananmen square demonstrators. The other two were a multi-billion dollar airport and related facilities, and a scheme to give British nationality to 50,000 heads of household and dependants.

"I think they are sending the wrong message to the community," said Mr Allen Lee, leader of the conservative Liberal party in the Legislative Council (LegCo), Hong Kong's parliament. "It is entrenched in the people's mind that we have a Bill of Rights, so why change it? This will only create uncertainty."

The PWC's deliberations have ensured that Mr Patten's discussions with British ministers over the next week about the colony's handover will assume greater urgency. Yet they come at a time of growing powerlessness for Britain.

The governor, who arrives in London today for talks, is a viceroy with all the responsibilities of high office but whose power is fading fast; he is an official who may be the British government's principal adviser on Hong Kong but who has been marginalised in the colony by China's determined refusal to have anything to do with him.

His, and Britain's, problems, however, are set to grow, not diminish and Mr Patten will be struggling to make an upbeat briefing for ministers. The economic background to the handover has deteriorated and Hong Kong, by virtue of its exchange rate linked to the dollar, will have to wait for a decisive easing in US monetary policy before a recovery in consumer confidence can be confidently predicted.

Mr Patten also knows that relations with LegCo may deteriorate to the point where he has to intervene directly in the council's deliberations. No colonial governor since the second world war has had to veto a piece of legislation in Hong Kong. It may well be the fate of Mr Patten – the least "colonial" of governors – that he has to use this power against his natural allies on the democratic side of Hong Kong politics.

It is also clear from events this week that Beijing will continue to play "hard ball" in the 20 months remaining of British rule, although on bilateral issues of importance to itself, such as those agreed by Mr Qian Qichen, China's foreign minister and British ministers in London two weeks ago, China will co-operate with the UK.

The Bill of Rights, which was made law in 1991, incorporated the provisions of the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights. Adherence to both of these UN-inspired documents was promised to Hong Kong in both the 1984 Sino-British Joint Declaration, which paved the way for China's resumption of sovereignty in 1997, and China's own 1990 Basic Law for Hong Kong.

In spite of this, China has always reserved its position. Over the past year senior Chinese leaders have been expressing concern about Mr Patten "loosening the screws" in Hong Kong – a reference to the removal of sections of Hong Kong's colonial statutes which restrict civil liberties. Mr Qian, on his recent visit to London, warned Britain about making changes to Hong Kong law.

A reversal by the Chinese of recent amendments to Hong Kong's law, made to bring it into line with the Bill of Rights, would extend the executive arm of government's control over broadcasting, make it more difficult for people to demonstrate, enable the government to impose martial law, limit the independence of LegCo and reverse a recent ruling allowing women to inherit ancestral land in the New Territories.

The Democratic party, which won the largest share of seats in recent LegCo elections, denounced the PWC's recommendation as "a shocking blow to freedom" and a threat to China's promise that Hong Kong would be able to rule itself with "a high degree of autonomy".

Even China's ostensible friends in Hong Kong objected. Mr Tsang Yok-sing, chairman of the pro-Beijing Democratic Alliance for the Betterment of Hong Kong and a PWC member himself, described the PWC's proposals as "worrying" and lacking in evidence that any recent amendment of Hong Kong's law violated the Basic Law.

This week in Geneva, the United Nations Human Rights Commission has been inquiring into Hong Kong. As the Economic Times, a Chinese-language business newspaper in the colony, observed yesterday, the PWC has supplied the best reason for international concern about human rights after 1997.

China slows growth to under 10%

By Tony Walker in Beijing

China has slowed economic growth to less than 10 per cent this year and is also continuing to bring inflation down towards a target for 1995 of 15 per cent, according to the State Statistical Bureau.

Figures for the September quarter, released yesterday, indicate China is within reach of a "soft landing" for an overheating economy following imposition of a credit squeeze in July 1993 aimed at curbing runaway inflation.

Mr Ye Zhen, for the State Statistical Bureau, said he expected China to achieve its inflation target for the year. He also indicated there was likely to be a "seasonal" easing of credit restrictions in the final quarter.

China reported retail price inflation rose 16.6 per cent in the first nine months against the same period last year. Inflation in 1994 reached a Communist-era record high of 21.7 per cent. GDP growth was up 9.8 per cent in the first nine months, down from 11.8 per cent in 1994. China's target for the year is 8-9 per cent.

China also announced a slowdown in growth of capital spending. In the the first three quarters, fixed-asset investment by the state sector expanded 17.6 per cent in nominal terms.

This was 26.3 percentage points down from the same period last year, reflecting the government's tight money policies. A capital spending boom in 1992-93 had fuelled an inflationary cycle. China's credit crunch pushed its debt-burdened state sector deeper into the red this year. Some 41.3 per cent of state companies were loss-making, up marginally on last year.

State-owned enterprises lost Yn41.7bn (£3.2bn) in the first nine months, up 18.8 per cent on the same period last year. Triangular debt, (inability of companies to pay each other for goods and services), swelled to Yn750bn at the end of August, up from Yn630bn at the start of the year.

The total average urban income during the nine months rose an inflation-adjusted 5.8 per cent to Yn2,880 ($347), while the average rural income rose a real 10 per cent to Yn1,120. But about 20 per cent of urban Chinese, mostly the retired and those working in loss-making firms, felt a drop in living standards.

China's foreign exchange reserves recorded a healthy increase in the nine months, reaching $69.8bn (£44.1bn) at the end of September, up $18.2bn from the start of the year.

ASIA-PACIFIC NEWS DIGEST

N Korea threat over armistice

North Korea yesterday threatened to scrap the military armistice system on the Korean peninsula if the US refuses to hold talks on a new "peace regime" to replace it.

The warning by Pyongyang came a day after it refused to accept a protest note from the UN Command, which represents US and South Korean forces, about an attempted infiltration this week by North Korean soldiers into South Korea. The fatal shooting of one of the intruders was the most serious incident along the demilitarised zone separating the two Koreas since North Korea began to dismantle the armistice structure by withdrawing from the armistice commission last year and ejecting Polish monitors.

The "peace regime" envisaged by Pyongyang would involve direct military contacts between the US and North Korea, while excluding South Korea as part of Pyongyang's strategy to isolate the Seoul government. Some analysts in Seoul believe North Korea may be willing to pursue military talks with South Korea once Pyongyang feels secure in developing stronger relations with the US. *Jack Burton, Seoul*

Official quits in bases row

A senior Japanese defence official resigned yesterday for calling Premier Tomiichi Murayama "weak-headed" in his handling of the controversy over US troops in Okinawa.

Mr Noboru Hoshuyama, head of the defence facilities administration agency, denied that he meant to insult the Japanese leader over management of the furore provoked by the alleged rape of a schoolgirl last month by three US servicemen in Okinawa, base for three-quarters of US military installations in Japan. Mr Hoshuyama was said to have voiced unhappiness at what he called Mr Murayama's inability to persuade Okinawans to renew land leases for US military use. *William Dawkins, Tokyo*

Sri Lanka to boost defence

Sri Lanka will spend more than $650m (£411m) on defence in 1996, almost $100m more than this year, under preliminary budget estimates presented to parliament.

The increase comes as government troops continued an offensive against separatist Tamil Tiger guerrillas in the northern rebel stronghold of Jaffna. Some 53 soldiers and 131 rebels have been killed since the army launched the operation on Tuesday. The rebels resumed hostilities in April after failed talks with the People's Alliance of President Chandrika Kumaratunga. *Mervyn de Silva, Colombo and agencies*

Australian economy slowing

Further evidence of a slowdown in the Australian economy was apparent yesterday, when merchandise import data for September showed a 3.7 per cent fall, seasonally adjusted.

This follows a 7.6 per cent decline in August, against market expectations of a rise of perhaps 3 per cent for September. Analysts said the current account deficit for the month could be about A$1.45bn-A$1.5bn (£700m-£724m), less than half the record A$3.2bn seen in May.

Reserve Bank governor Bernie Fraser played down the likelihood of an early interest rate cut. He confirmed the bank's focus on keeping inflation down. *Nikki Tait, Sydney*

Ruggiero in plea on China's WTO entry

By Guy de Jonquières

Mr Renato Ruggiero, head of the World Trade Organisation, yesterday called for a high-level political dialogue to reassure Beijing that its stalled negotiations to join the WTO will not be blocked by the US.

Mr Ruggiero said Beijing was suspicious that the US intended to veto its application for political reasons. China was using its doubts as a pretext to "play tough" in the negotiations, he said.

He suggested the problem could be too difficult to resolve in the largely technical membership negotiations under way in Geneva. "A certain political clarification is important," he said. "The argument has to be eliminated that China is being kept out for political reasons."

He hoped the US and the EU would agree to harmonise their positions on China's entry when President Bill Clinton visits Madrid for a summit with EU leaders in early December.

Sir Leon Brittan, the European trade commissioner, is expected to seek closer consensus on China's application when he hosts an informal meeting of trade ministers from the US, Canada and Japan in Britain today and tomorrow.

The US says it wants China to join the WTO. However, some observers think it may be reluctant to commit itself to any joint initiative for fear that domestic political opponents might accuse Mr Clinton of being lenient towards Beijing.

Mr Ruggiero said the effectiveness of the world trade system required that China and Russia join the WTO. "If we want a truly global rules-based system, we must have China and Russia in. If we don't, we will have a regionalised world," he said.

But Beijing must accept fully WTO rules, commit itself to trade policy reforms and agree to international monitoring after it joined.

He also aimed to persuade governments to give a "political dimension" to the multilateral trade system. He wanted the importance of the system to be more fully recognised at senior levels of government, and to be taken into account in decisions on global economic policy co-ordination.

He was still considering how that could be achieved. But it would be necessary to avoid a damaging growth of economic regionalism and because multilateral liberalisation increasingly focused on sensitive domestic policy issues, such as investment and deregulation.

The WTO head said the spread of regional trade arrangements to embrace ever more countries must not be at the expense of multilateral principles.

He was concerned that any move by the EU and US to create a transatlantic free trade area could prove divisive if it involved agriculture. He suggested agreement would be easier to reach on issues such as subsidies and standards.

Mr Ruggiero urged Mr Clinton and EU leaders to pledge, at their Madrid summit, to bring any transatlantic trade initiative before the WTO.

France's defence industry halted by inertia

Its main client – in some cases its owner – has yet to decide post-cold war policy, writes David Buchan

The drama in France's defence industry, which is Europe's largest, is that nothing is happening.

French defence companies have been transfixed by successive French governments' inability to do more than stretch out existing arms programmes since the end of the cold war. Without guidance from the arms companies' main client as to what new programmes to regroup around, there is still no sign of the restructuring that has already taken place in the US, the UK and Germany.

Things are most serious for the state-owned companies, because the cash-strapped government of Mr Alain Juppé lacks the money to recapitalise them to make them sufficiently attractive for privatisation, for which they are all nominally slated.

Aérospatiale, which makes the country's nuclear missiles and helicopters, among other products, got FFr2bn ($400m) three years ago, but now says it needs FFr10bn. Snecma, the aero-engine maker, is looking for ways to stem losses, in addition to moving out of its Paris headquarters. Thus far, it has failed to get government permission to sell its Messier-Bugatti landing gear division to B F Goodrich of the US, so its request for government cash still stands at FFr6bn.

Giat, which makes the Leclerc tank, will soon hit the legal minimum limit on its capital/debt ratio if it does not get government money soon. The Thomson group says it needs a FFr10bn recapitalisation from the government if it is to be floated as a whole, together with the heavy past debts of its consumer electronics wing, though the Thomson-CSF defence electronics company (58 per cent owned by the state holding group) is quite solvent enough to go to market on its own.

But the government is taking its time, awaiting the conclusions of various study committees set up by Mr Charles Millon, the defence minister.

Under the 1996 draft budget, existing programmes will just be stretched out. The Charles de Gaulle, Europe's only nuclear-powered aircraft carrier, will not now emerge out of the Brest dockyard until the year 2000. Dassault has been asked to go even more slowly on building the Rafale jet, and Eurocopter, the joint venture between Aérospatiale and Daimler Benz Aerospace (Dasa), will have to delay further the start of series production of its Tigre attack helicopter.

Defence exports, already down from FFr20.6bn in 1993 to FFr16.8bn last year, are expected to be hit further. The fact that the Tigre is not yet in regular production was one of the reasons why the Dutch, and to some extent the British, have preferred to buy American.

Recent cuts on defence equipment have been by stealth. In stark contrast to the civil sector, the government has been spending *less* than approved by parliament, by first freezing and then cancelling credits of about FFr5bn to FFr6bn a year since 1993. But while the 1993-94 savings were mainly in nuclear programmes – including suspending nuclear testing – this year's cuts "are almost all on conventional weapons", says one defence expert.

One reason why defence equipment spending has been cut, but haphazardly with no relation to policy aims, is that France has been without a military framework spending law for five years. The Socialists drifted between 1992 and 1993 without such a law. In 1994 the Balladur government produced a 1995-2000 programme setting a minimum 0.5 per cent annual real increase in equipment spending. But the change of president has pushed the law into the bin.

Son of a Dassault engineer and a long-time reserve colonel himself, President Jacques Chirac may be more predisposed to the arms lobby than his predecessor. But his government has an even more pressing need to reduce its overall deficit, and next year's cuts will have to be overt.

However, many programmes – the Rafale, the Charles de Gaulle, the Leclerc, even perhaps the Tigre – are now beyond the point of no return, in the sense that cancellation charges plus the cost of a reduced and cheaper substitute may total more than the cost of plugging on.

So the casualties are more likely to be programmes, either in their infancy like the NH-90 troop transport helicopter or on the drawing board like the Future Large Aircraft (FLA). But both are collaborative European ventures. Scaling down the French contribution to these programmes would undermine the force of France's call for greater co-operation with Germany and Britain.

What restructuring French defence companies have done in recent years has been with foreign partners. Buying up a series of companies such as Ferranti, Thomson has become the second largest defence electronics company in the UK, behind GEC.

Matra, part of the private sector Lagardère group, has also played the British card, but mainly through alliances. With GEC, it has formed Matra Marconi Space, and for the past couple of years it has been negotiating with British Aerospace for a joint missiles venture. This deal, however, now seems to depend on whether the UK government agrees to pressure from Matra, and the French government, to pass the contract for a new stand-off missile to Matra for it and BAe to develop together.

Aérospatiale's equally prolonged negotiations with Dasa over enlarging their partnership to include joint ventures on spy satellites as well as missiles has also run up against German government reluctance to co-finance new satellite programmes for the partners to work on. Providing matching complication on the French side, Matra is trying to displace Aérospatiale as Dasa's satellite partner, given the fact that it edged Aérospatiale out as prime contractor on the current Helios military spy satellite.

But what all French companies are getting hungry for is some idea of what the government – their main client, and in some cases owner – has in store for them.

The French defence industry: victim of indecision

Sales by company (FFr bn, 1990)

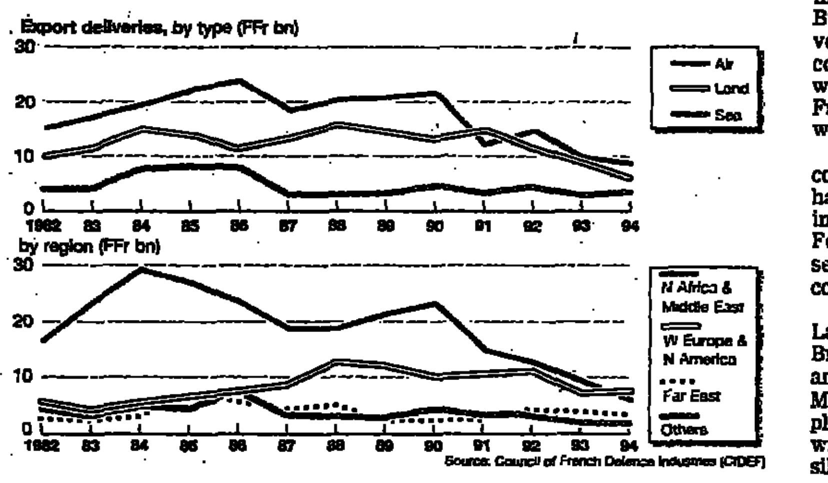
	Total	Defence
Aérospatiale*	32.8	15.4
Dassault	21.1	15.2
Matra**	5.5	5.5
Snecma*	14.1	5.1
Thomson-CSF	37.0	28.6

Source: quid 1995 * Excluding subsidiaries, ** 1992

Government defence spending

	% of budget
1991	12.11
1992	11.43
1993	10.97
1994	10.90

Source: Cour de Comptes



Source: Council of French Defence Industries (CIDEF)

WORLD TRADE NEWS DIGEST

UK publisher in newsprint deal

Associated Newspapers, publisher of the British newspapers the Daily Mail and Evening Standard, has agreed a four-year newsprint supply contract with United Paper Mills of Finland worth FM2bn ($465m). The move comes at a time of tight newsprint supply and after a rise of more than 40 per cent in UK newsprint prices over the last year. Mr Rupert Murdoch's News International reached a similar long-term agreement with UPM several months ago.

The agreement guarantees volumes, but does not fix prices. The contract's value of FM500m a year is based on current newsprint prices, which are being adjusted twice yearly to reflect rapid market change.

Analysts say the agreement reflects buyers' willingness to secure supplies at a time of strong demand and a sharp rebound in prices after the market downturn between 1991 and 1994. Prices have been driven up by higher raw material costs, increased advertising and newspaper pagination, and little new capacity. Newsprint prices in the German market have increased from DM730 per tonne last year to DM910 at the start of 1995 to DM1,140 from July. A further rise of 5 to 10 per cent is expected early next year.

Christopher Brown-Humes, Stockholm

Lufthansa backs Kinnock

Lufthansa, Germany's national airline, yesterday called for a broad European approach to air transport negotiations with the US to open up the transatlantic market and criticised separate "open sky" agreements concluded by some smaller European countries.

The comments reinforced the attempt of Mr Neil Kinnock, EU transport commissioner, to persuade member states to cede negotiating rights to Brussels. Mr Jürgen Weber, Lufthansa's chairman, said Europe was inching towards economic and political integration: "So it can be appreciated why the European Commission should be seeking a mandate to negotiate future air traffic accords en bloc for the European Community."

Andrew Fisher, Frankfurt

Korean imports worry Ford

Ford, the second biggest US car maker, is seeking European support for action to open the protected Korean car market.

Speaking at the London Motor Show, Mr Alex Trotman, chairman of Ford, said the increased market access gained from a recent round of US-Korean talks had marked a useful step forward but he wanted more progress.

Europe's car manufacturers have voiced concern about the increase in Korean car imports this year. Korean exports to Europe were expected to reach 500,000 units by the end of the century, exacerbating the severe overcapacity in the region, said Mr Trotman. He warned the introduction of additional capacity in newly industrialising countries was bound to worsen overcapacity in Europe and the US.

Haig Simonian, Motor Industry Correspondent

■ Alcatel Alsthom has signed a contract with Vietnam Postsand Telecommnunications (VNPT) to supply and instal 1.95m telephone lines across Vietnam over five years. The contract, using Alcatel's 1000 E10 lines and associated transmission equipment, is worth up to FFr2bn ($400m).

AFX, Paris

■ Pirelli, the Italian manufacturer of cables, has won a L160bn ($99m) contract for a turnkey project to link Kuala Lumpur, the Malaysian capital, and the island of Penang with six submarine electrical cables.

Andrew Hill, Milan

Drug companies challenge 'unreasonable' action by watchdog committee as share prices close lower

Women warned of risk from contraceptive pills

By Clive Cookson in London and Judy Dempsey in Berlin

The government's Committee on Safety of Medicines yesterday warned that seven popular brands of low-dose contraceptive pill could double a woman's risk of thrombosis (potentially fatal blood clots in the legs). It advised users to switch to other pills. All three manufacturers affected – Schering of Germany, Akzo Nobel of the Netherlands and American Home Products – challenged the CSM's action.

Schering called the decision "surprising and unreasonable". Mr Ralf Harenburg, the company's head of investor relations: said: "It is based on the preliminary evaluation of unauthorised, unpublished data."

Shares in Schering, the largest maker of oral contraceptives, fell by DM0.80 to DM100. Akzo Nobel closed Fl 2.50 lower at Fl 183.10.

An estimated 1.5m women, about half the UK oral contraceptive market, take the seven brands: Triadene, Femodene and Femodene ED (made by Schering); Marvelon and Mercilon (Akzo Nobel); and Mimulet and Tri-Mimulet (AHP).

The seven are "third-generation" combination pills that have been introduced over the past decade. They contain a synthetic progestogen hormone – either desogestrel or gestodene – with an oestrogen.

The CSM said they would not be withdrawn from sale but advised women to consult their doctor "to see whether a change of pill is necessary".

As a result, many women are likely to switch to older and cheaper products. A three-month course of Femodene costs £5.70 compared with Microgynon, an older Schering contraceptive, which costs £2.85 for three months.

The direct impact on the companies of the lost UK sales is likely to be relatively small. Schering's UK sales of the three affected products amounted to DM35m while its total contraceptive sales amounted to DM1.41bn or 30 per cent of the company's total turnover.

But there could be a significant global impact if other European regulatory authorities and the US Food and Drug Administration take similar action. The unpublished studies that provoked the UK warning originated with the World Health Organisation in Geneva.

Professor Michael Rawlings, chairman of the CSM, yesterday urged women to continue taking the contraceptives until they could visit their doctor or family planning clinic.

"Suddenly stopping the pill could lead to pregnancy, and the likelihood of a thrombosis occurring in pregnancy is much higher than on any type of pill," he said.

Transport plan aims to strengthen London network

By Charles Batchelor, Transport Correspondent

A £23bn ($36.3bn) programme to improve London's transport network by 2010 was unveiled yesterday by London First, a consortium of business and public sector organisations in the capital.

The plan could be funded in part by a voluntary levy on business if Treasury objections can be overcome, London First said. It hopes to demonstrate that businesses would contribute willingly by inviting contributions for specific schemes.

The "first fully costed, comprehensive and long-term programme for improving the capital's total transport network in 20 years" was intended to spur the government to action, London First said.

The scheme should not result in any increase in government spending but it would require a consistent approach to funding and a rephasing of budgets to allow London Underground to make up a £200m backlog of maintenance over the next two years.

Funding over the next 14 years would be made up of £11bn of public sector finance, £8bn from ticket revenues and £4bn from the private sector.

The Department of Transport, whose spending is under severe pressure, said it welcomed the proposals but plans for a business levy amounted to a tax.

Publication of the London First plan comes a week after the CBI revealed its plans for a shake-up of transport in the capital, including a call for a single co-ordinating authority.

Lord Sheppard, chairman of London First and of Grand Metropolitan, the food and drinks group, said: "The programme is affordable and achieveable and is vital for the capital's future international competitive position."

There had been a lack of forward thinking in planning London's transport system, putting at risk its position as a world city, London First said.

Traffic in inner London travels at an average speed of 13.5 miles per hour at the morning peak, faster than the 13.3mph recorded in 1992 but slower than the 14.2mph achieved in 1981, the transport department said. Outside rush-hour, traffic reaches 15mph but is still slower than in 1981

It aims to achieve a balance between the private car and public transport.

It called for urgency in creating a 500-mile bus priority network and a 1,200 network of cycle routes. Both should be completed within four years, instead of the ten to 12 years under the present timetable.

It urged that work be speeded up on several large-scale investment projects: including extensions to the Docklands Light Railway and the underground's East London Line, a tram system in Croydon, an extension of the Docklands Light Railway to Lewisham and north and southward extensions of the Underground's East London Line.

The private sector is expected to make only a "modest" contribution of £4bn. London First hopes to work with the Treasury, the private finance panel and transport operators to overcome these obstacles.

Rules for US rail bidder are changed

By Charles Batchelor, Transport Correspondent

British Rail's three heavy-haul freight companies are being encouraged to merge – 18 months after the government split them up into three regionally based companies to increase competition.

Management buy-out teams from the three companies, which have a combined turnover of £560m ($884.8m), are being encouraged to put in bids not just for their own businesses but for the other two as well. At least two are understood to be preparing bids. This represents a reversal of one principle underlying rail privatisation which has been to split up the different parts of the network to promote competition.

The decision to allow package bids from the three management teams for all of BR's Trainload Freight companies, which carry products such as coal, steel and aggregates, reflects the small number of outside bidders for the network. Wisconsin Central Transportation of the US is bidding for all three companies, and some of its executives are now in the UK. A second US company is also believed to be bidding.

If the management teams do not put in package bids, BR and the Department of Transport would have nothing with which to compare the US offers, said one rail industry official. Since a bidder for all three companies would be expected to pay a premium because it would be reducing competition in freight, bids for individual companies would produce less revenue for the government.

Critics of rail privatisation have questioned the split up of the Trainload Freight companies, because while they dominate in some markets, overall, rail accounts for only 7 per cent of UK freight movements.

● Mr Gordon Brown, the opposition Labour party's shadow chancellor, yesterday claimed that the government could make a net loss on the sale of National Grid – Britain's power distribution network – by the country's regional electricity companies (Recs) because of a series of complex tax concessions related to its flotation.

As the 12 regional electricity companies prepare to announce details of the grid's flotation today, Mr Brown has argued that the government will end up making net payments of around £300m to the Recs and institutional shareholders as a result of tax breaks. The shadow chancellor's advisers say the government can expect to gain around £630m in capital gains tax receipts from the Recs if, as expected, the grid is sold to shareholders at a market capitalisation of £3.5bn.

More state cash sought for Underground line

By Andrew Taylor, Construction Correspondent

London Underground is seeking an extra £190m ($300m) from the government to cover the increased cost of building the Jubilee Line undergound railway extension in London.

The project, which was planned to cost £1.9bn at 1993 prices, has been hit by a series claims from contractors seeking extra payments to compensate for unforseen problems during construction.

Many of the claims are for delays caused by a decision to stop engineers using the New Austrian Tunneling Method after the ground collapsed on an unconnected railway project at Heathrow Airport, more than 30km to the west of the Jubilee extension.

The decision call a halt while the tunneling method was reassessed was made on advice from the government's Health & Safety Executive. Contractors were later allowed to resume work using the New Austrian method after the executive had declared it safe.

London Underground however insisted yesterday that the extension was still on course to be completed on time and close to the original budget. Almost £400m of the £1.9bn cost is be paid over 25 years by the owners of Canary Wharf development in east London.

● London Underground is to close a section of the Northern Line for up to four months next summer during work on extending London Bridge station for the Jubilee Line project. The closure would affect southbound traffic between Camden Town and Kennington.

Sacking of prisons chief Home secretary nimbly eludes barbs from Labour tormentors

Union for top officials finds a cause célèbre

By Andrew Adonis, Public Policy Editor

The sacking of Mr Derek Lewis, head of the Prison Service, by the home secretary is provoking a "revolt of the mandarins" almost unprecedented for such a high-level clash between a minister and a senior government official.

The First Division Association, the trade union for senior officials, has thrown its full weight behind Mr Lewis's legal action against Mr Michael Howard, the home secretary.

Ms Elizabeth Symons, the association's general secretary, condemned the sacking as "unreasonable and disgraceful". Even before Mr Howard's statement about the affair in the House of Commons on Monday, the union was mobilising on Mr Lewis's behalf. Its leading officers have been almost continuously engaged on the affair since then.

As one senior government official put it: "You can't see this in isolation. It's just the latest in a long line of assaults on the civil service by this government, and people have had enough."

The degree of dissatisfaction among the Whitehall elite was revealed in a survey by Mori, the market research group, this summer.

It showed that more than two-thirds of senior officials believe that the government's far-reaching reforms of the administrative machine are damaging it. Mori said the level of dissatisfaction was higher than in any other of the 300 employee attitude surveys it had conducted in the public and private sectors.

Yet the association's support for Mr Lewis is paradoxical. He is a member in trouble, yet he personifies the "assaults" on the traditional administrative machine which are so offensive to his former colleagues in it.

Mr Lewis was appointed directly from the private sector. He was on a fixed-term individual contract at a salary well above the highest pay for a government official, with the opportunity for a substantial performance-related addition. The Mori survey cited these aspects of the government's Whitehall reforms as sources of discontent among mandarins.

As director-general of the prison service Mr Lewis was pioneering one of the most controversial of the privatisations ordered by the Conservative government. His attempt to apply "market testing" to prisons by exposing some to competition with private operators for their contracts was bitterly fought by the Prison Officers' Association, a trade union.

Yet, for the First Division Association, Mr Lewis's sacking offered a golden opportunity to highlight the problem of trying to separate responsibility for "policy" from "administration". Ms Symons has long argued that this is a dangerous distinction if government officials have no effective statutory safeguards for their new status.

She claims that the distinction simply allows ministers to delegate blame to officials when it suits them. She remarks acidly: "Mr Howard is responsible to Parliament for the conduct of his department, yet he attempts to take all the credit for success in the Prison Agency since 1993 and scapegoat others for its shortcomings."

Mr Michael Howard, the home secretary, triumphantly escaped from his Labour party tormentors yesterday with a defiant House of Commons speech in which he vigorously defended his role in the running of the prison service. Mr Howard came out fighting in a Labour-initiated debate on the sacking of Mr Derek Lewis, head of the prison service, and sat down to resounding cheers from the Conservative benches.

Mr Howard failed to answer all the charges levelled against him, but did more than enough to persuade MPs of his party that he had acted decisively to tackle serious problems in Britain's jails. Labour has hounded Mr Howard since the acrimonious sacking of Mr Lewis on Monday, accusing the home secretary of interfering in the operational management of the prison service. But yesterday Mr Jack Straw, shadow home secretary, failed in the House to make his charges stick.

As Labour despair mounted, Mr Tony Blair, the opposition party's leader, intervened – but also failed to get his man. "What we have seen this afternoon and throughout the whole week is a cheap and tawdry attempt to make petty political capital out of the prison service," said Mr Howard.

"He has been involved in the operations of the prison service day by day, month by month," Mr Straw said of Mr Howard. "In our judgment he must go."

UK NEWS DIGEST

European court rules against government

The government decided to grant free medicine prescriptions to more than 1m men aged 60 to 64 after the European Court of Justice ruled that existing rules discriminated against them. The decision will cost about £40m ($63m) a year and a further £10m in back payments. Judges at the court ruled that the current UK arrangements, which granted free prescriptions to women at 60 but not to men until 65, were unlawful under European law. The court also ruled that the judgment should be made retrospective. But the British government invoked a 1989 regulation on charges, covering applications for repayment, to limit the backdating to the last three months and hold the cost to £10m.

Lawyers for the British government argued that the directive covering discrimination did not apply to prescriptions. The court ruled, however, that there was no objective reason why that the exemption from prescription charges should be linked to the state pension age and therefore granted at different ages for men and women. The decision provoked anger from Conservative Eurosceptics. Mr Bernard Jenkin, MP for Colchester North, said:

"This is the sort of decision people expect their national parliament to decide, rather than a bunch of foreign judges."

Robert Shrimsley, Westminster

Car output falls

Car production fell in September for the first time in 15 months as manufacturers reacted to sales in August that disappointed hopes of a strong recovery in mainland European markets. Car output for the first three quarters of the year nevertheless remained 7 per cent higher than in the same period of 1994 and is still on course to reach the highest yearly total for two decades.

The Society of Motor Manufacturers and Traders said the figures from the Central Statistical Office were disappointing. "However, they clearly show that car production for export is holding up better than that for the home market," said Mr Roger King, the SMMT's public affairs director. Total UK car output in September was 111,182, down 11.2 per cent from September 1994. Output for export, at 54,423, was 2.3 per cent lower than a year before. *John Griffiths, Industrial Staff*

$157m paint centre for Rover

Rover Group, a subsidiary of BMW, is to build a £100m ($157m) advanced paint centre at its car factory at Cowley near Oxford. The centre, which will come on stream in mid 1997, lifts Rover's announced total investment in new paint facilities to more than £230m in less than a year. Yesterday's announcement granting the Cowley contract to the Warwick-based paints group, Durr, follows plans announced in July to instal a new £80m paint plant at Rover's Land Rover offshoot in Solihull. Paint facilities at Rover's largest car factory, Longbridge, have been modernised this year at a cost of more than £50m. When completed, the Cowley centre will allow Rover to process 60 cars an hour, a 50 per cent increase on current levels. Cowley is the centre of production for Rover's 600 and 800. *John Griffiths*

BCCI appeal starts today

Four former employees of Bank of Credit and Commerce International will today begin their appeal against the proposed worldwide settlement which is set to benefit 90,000 creditors. The four claim that the settlement is unfair and too generous towards the government of Abu Dhabi, the bank's principal shareholder. They also claim that vital information about the collapse of BCCI may have been removed from documents seized after the collapse.

BCCI failed in 1991 with debts of $10bn amid allegations of widespread fraud. The battle for a settlement for creditors has already seen an earlier plan dismissed by the courts in 1993. The current plan was finally passed by Luxembourg in January this year. The proposed settlement was based on a payment of $1.8bn from the Abu Dhabi government. An initial $1.55bn would have been available after the successful completion of the court process. Creditors lose $300,000 a day in interest on the offer. *Jim Kelly, Accountancy Correspondent*

Nadir sister to sue

Lawyers for Mrs Bilge Nevzat, the sister of Mr Asil Nadir, the fugitive businessman, said a writ had been issued against the UK Serious Fraud Office for wrongful arrest and false imprisonment. Mrs Nevzat is also suing for personal injury. It is understood she will claim damages of £5m and that a writ has also been issued against the Sir Paul Condon, Commissioner of the Metropolitan Police in London.

Mr Nadir fled England for Cyprus in 1993 facing charges of theft and false accounting following the collapse of the Polly Peck empire. Mrs Nevzat had been arrested in November 1992 after police alleged she was involved in a plot to bribe the trial judge. A year later the SFO said there was no evidence to back that allegation. Mrs Nevzat will claim that the distress caused led to the collapse of Noble Reardon, her airline company. The SFO said it would contest the actions. *Jim Kelly*

West biography commissioned: The Official Solicitor, Mr Peter Harris, a senior law officer, has commissioned a biography of the builder Fred West, whose wife Rosemary is standing trial accused of the murder of 10 women and girls. West was found dead in prison on new year's day. The West case attracted international publicity when human remains were found under the family home in the city of Gloucester. Proceeds of the book deal with publishers Hodder Headline, believed to be worth £1m ($1.57m), will go to the couple's five youngest children. Defending his decision to commission a book which will make use of 13 volumes of police interviews, Mr Harris said that, as administrator of Fred West's estate, he had "an overriding duty to protect the financial interests of the five minor children."

The economy Independent chain of estate agents puts 70 branches into receivership

Loans slide deepens gloom in housing market

By Alison Smith and Robert Chote

The gloom in the housing and mortgage market deepened yesterday with figures showing another sharp drop in mortgage lending by building societies.

At the same time, Cornerstone, an independent chain of estate agents, put 70 of its branches, mainly in the west and on the south coast of England, into receivership.

Mr Tony Snarey, chairman and chief executive of Cornerstone Independent Estate Agents, said the steep decline in residential housing sales had made it impossible for Cornerstone to continue trading. The Thatcher administration had made home ownership an important aspiration, but under Mr John Major, the present prime minister, it had been put at the bottom of the agenda.

The company has already sold about 200 offices to other estate agents or to management buy-out teams. Although these can still carry the Cornerstone brand, they are not affected by yesterday's action.

Figures published by the Building Societies Association show an 18 per cent drop in new net lending in September compared with August, slumping from £750m to £614m ($964m). This contrasts with a drop of just 1.5 per cent between the same months last year. Building societies are mutually owned savings and loans institutions.

New gross lending was less affected because there is still a significant amount of re-mortgaging which is included in this total. It slipped from £2.98bn in August to £2.73bn in September, a drop of 8.4 per cent. In the same period last year, it fell 7.5 per cent.

A fall in mortgage lending by the large UK banks was separately reported by the British Bankers' Association yesterday. It said new mortgage lending was, at £546m, 9 per cent lower in September than August.

Surveys show manufacturing growth rate easing

Further signs of easing in the rate of manufacturing growth emerged yesterday after two business surveys reported that orders were now rising at a slower pace, Gillian Tett writes.

The British Chambers of Commerce said that the proportion of companies reporting increased levels of sales had fallen in the last quarter.

Meanwhile, Dun and Bradstreet, the business information group, said that businesses were now considerably less optimistic about the outlook for profits, sales, new orders and exports.

Taken together the surveys provide further hints that growth in the third quarter of the year slowed slightly, not least because some key export markets like the US, Germany and France are expanding less quickly than expected.

Nevertheless, economists remain divided about whether this pattern represents a brief pause in growth or the start of a downturn.

Further clues may come next week, with the publication of key third quarter gross domestic product data and the quarterly manufacturing survey from the Confederation of British Industry.

The BCC survey of some 7000 companies, conducted in September, found that the proportion of manufacturing companies reporting higher export sales, compared to those reporting lower ones, was a positive balance of 29 per cent.

This was down from the previous quarter's level of 35 per cent, with a similar slowdown reported in the growth of export orders.

SOUTH KOREA Trade, Industry and Finance

Still reluctant to take the plunge

An ambitious programme of deregulation is starting to slow, says John Burton

South Korean industry is on the brink of transformation as the trade barriers and financial struts propping up one of the world's most protectionist economies are dismantled.

The central issue is whether or not Korean companies can sucessfully move from the safety of state protection to an environment driven by market forces.

In many respects, South Korea, among the four east Asian dragon economies, adheres closest to Paul Krugman's controversial thesis on their industrial development, as stated in The Myth of the Asian Miracle.

The Stanford University professor argues that the impressive growth of the dragons has resulted from the funneling of labour and capital into industry, with no improvements in productivity efficiency – a strategy that is unsustainable in the long-term.

Korea's former military rulers nationalised banking at the beginning of the 1960s and lavished funds on targeted industries, setting the subsequent pattern for state guidance of industry. The results have been spectacular. Korea ranks second in shipbuilding globally, third in semiconductors, fifth in electronics, petrochemicals and textiles, and sixth in cars and steel.

But this industrial edifice has been built on overstretched financial resources. Companies and banks rest on mountains of debts and bad loans. The debt/equity ratios for such conglomerates as Hyundai, Samsung, LG and Daewoo are close to 300 per cent, while smaller groups have even higher debt burdens.

Bad debts, the legacy of unsound loans to the shipbuilding and chemicals industries among others, account for an estimated 10 per cent of total lending by the country's leading banks, many of which are now privatised. Korean companies must keep expanding and seeking new markets to achieve the bigger sales necessary to service their debts.

The country's car industry wants to double production to at least 5m vehicles and become the world's fourth largest manufacturer within the next five years. State-run Posco aims to be the world's leading steelmaker by the end of the decade. The shipbuilding industry predicts it will overtake Japan by 2005.

Moreover, Korean conglomerates, or chaebol, continue to exhibit signs of what one western analyst describes as "corporate megalomania" as they duplicate their rivals' every move.

In spite of promises to slim down operations and improve efficiency, the chaebol are relentlessly expanding their activities. In the past six months alone, the number of subsidiaries among the 30 top chaebol has increased from 623 to 647, according the government's fair trade commission.

The expansion of the chaebol and their concentration on production economies of scale has created serious weaknesses in Korea's industrial structure.

One is the lack of attention devoted to research and development. Aside from its cutting-edge leadership in computer memory chips, Korea still depends on imported technology for most of its products. But persuading foreigners to part with their technology is becoming difficult as Korea begins to pose a strong challenge in overseas markets.

The chaebol also rest on shaky industrial foundations. Unlike the Japanese keiretsu, the chaebol cannot rely on an extensive subcontracting network because small businesses have been starved of capital. Instead, they must import machinery and components – the main reason why Korea runs a persistent trade deficit in spite of booming exports.

Productivity needs to improve. Industrial wages have more than doubled in Korea in less than a decade, but worker productivity rates are only about half those of Japan.

Economic deregulation poses new threats to Korean industry. Trade barriers protecting domestic companies from foreign competition are being dismantled. This could cause earnings to shrink since companies derive more profits from domestic sales than exports.

The chaebol are being forced to turn to financial markets for credit as the government reduces their preferential access to bank loans and abandons the low-interest, state-subsidised "policy" loans that have financed expansion during the past three decades. The relaxation of capital inflows is expected to lead to an appreciation of the Korean won, which could hamper export growth.

Nonetheless, the chaebol welcome deregulation since it removes the heavy hand of government intervention. Corporate executives believe the chaebol, with their vast resources, can weather any adverse effects of a market-oriented economy and emerge stronger.

Their confidence largely rests on an aggressive overseas expansion. Korean companies are betting that emerging markets in Asia, eastern Europe and Latin America will sustain export growth.

Meanwhile, the chaebol are bolstering their presence in developed countries by establishing distribution networks and marketing products under their own brand names.

Korean companies are establishing a global grid of production facilities, allowing them to escape high wage costs at home, while improving penetration of foreign markets. Sourcing components is considered easier abroad and an overseas presence provides opportunites to acquire advanced technology. The chaebol can also tap overseas banks and financial markets, which offer lower interest rates and capital costs than in Korea.

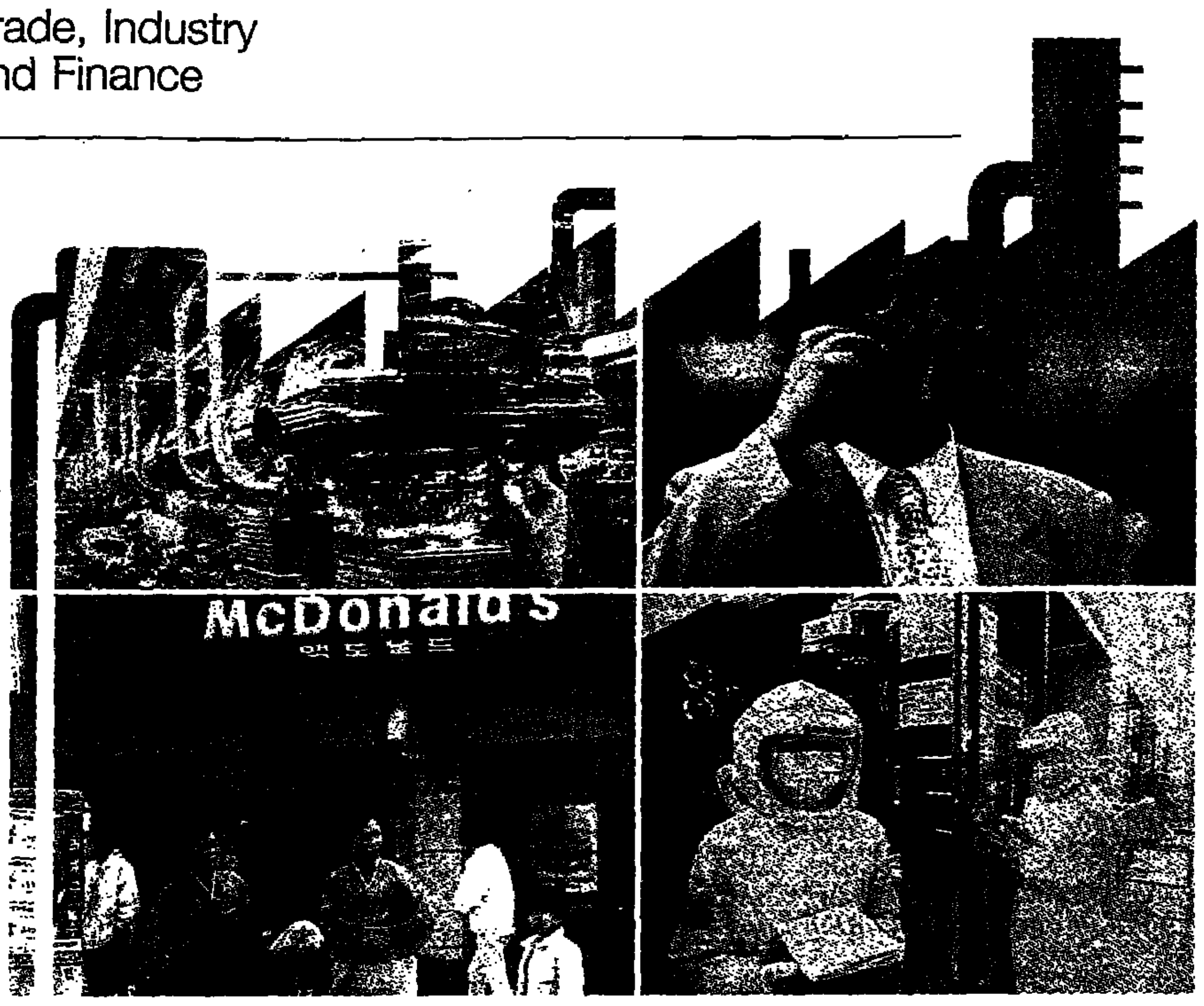
But the chaebol's efforts to become multinational are being hobbled by the government, which is having second thoughts about its economic reform agenda. Officials worry that the exodus of high-technology and strategic businesses will lead to job losses at home. A shift towards overseas manufacturing also undermines the government's traditional preference for a strong and self-reliant domestic industrial base.

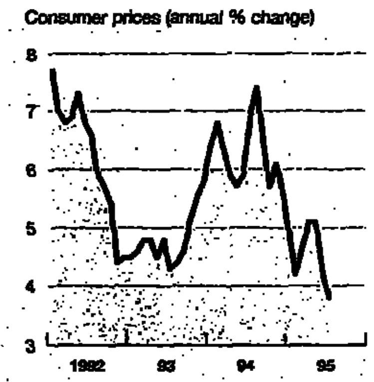
Bureaucrats fret about a loss of power and a corresponding growth in that of the chaebol as state constraints on corporate activities are removed. The privatisation programme, for example, is being slowed down as officials try to prevent the chaebol from using the process to add state companies to their sprawling domains.

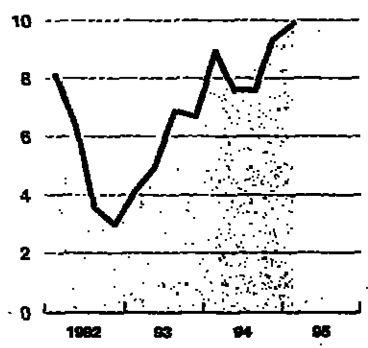
One sign of new state caution was this month's decision to impose stricter financial requirements on overseas investments. The country's top economic policymaker has hinted that Korea may delay its membership in the Organisation for Economic Co-operation and Development beyond 1996 because it does not want to accelerate reforms as demanded by the group's members.

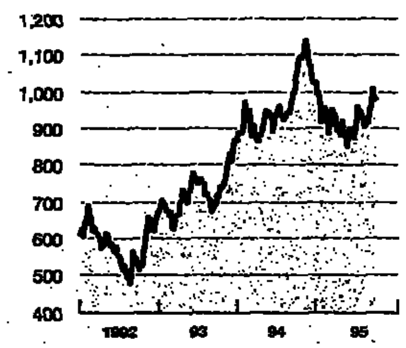
Korea's robust economic growth of at least 9 per cent in 1995 and a predicted 7.5 per cent is encouraging the government to tackle reform at a measured pace. But gaining public approval for reform may get harder. The economy is on a cyclical downturn, which will add to public fears about letting in foreign competiton. Political parties sceptical of reform are expected to obtain a parliamentary majority in next April's general election.

Seoul may find that embracing reform will be disruptive, but postponing it carries even a heavier price as more nimble Asian rivals surpass Korea in developing globally competitive economies.









Source: Datastream

IN THIS SURVEY

■ **Overseas direct investment:** by Andrew Baxter

Growing confidence abroad

Korean companies are expanding the range of their activities beyond manufacturing

The big names in Korean industry have moved their foreign investment plans into overdrive in the past year as the old policy of relying heavily on exports from domestic plants gives way to globalisation and a broader manufacturing base.

A number of high-profile announcements of direct investments or acquisitions in locations ranging from Oregon to northern England, and from Poland to China have emphasised that Korean industry is on the move.

Whether the momentum can be sustained, though, remains in doubt. Last week, Seoul imposed a requirement that Korean companies must finance at least 20 per cent of foreign investments above $100m with domestic funds. This will raise the financing cost of overseas projects, and could mean more marginal projects will be delayed or dropped.

According to the Korea Institute of Industrial Economics and Trade, overseas direct investment by Korean companies reached a cumulative total of $7.65bn at the end of last year, compared with just $1.5bn at the end of the 1980s. Last year alone, the net amount invested soared to $2.07bn, almost double the level of the previous year.

The cumulative total still represents only 4-5 per cent of Japanese industry's overseas direct investment, and the bare figures conceal important investment trends.

Asia was the initial destination for a wide range of smaller Korean investments in the 1970s, then North America followed. Europe has become a more recent focus of attention, although investment still lags behind North American levels, while Asia, and in particular China and the Asean countries, has remained an important destination, accounting for about 42 per cent of total cumulative investment.

Overseas investment by the manufacturing sector is increasing rapidly, says the institute, especially in electronics. Already, manufacturing accounts for 51.8 per cent of the cumulative total.

The big Korean industrial groups have been highly export-oriented since their inception, but the business environment is changing. "The Korean market is limited, so we have to go abroad," says Choo Ho-suk, executive managing director at Daewoo Corporation.

"A long time ago, business was just trading. Now it is globalisation – which means having manufacturing, marketing and all the main business activities in a particular country," he added.

Although Daewoo and the other big conglomerates differ in how they implement globalisation, they are linked by a twin-track strategy that is clearly identifiable in recent overseas investments.

In industrialised countries, Korean companies want market access and for a physical presence that will mean they are increasingly viewed as multinationals, or at least international, rather than Korean. In so doing, they are circumventing trade barriers much as Japanese manufacturers did a decade ago in Europe and the US.

In developing countries, meanwhile, locations for low-cost manufacturing are a target as domestic wage costs rise. Here too, though, market access is a consideration, especially in countries such as China which prefer foreign companies to work with local producers rather than simply import goods.

As a result of their globalisation strategy for western countries, Korean companies are expanding the range of their activities overseas beyond manufacturing merely to avoid anti-dumping complaints – the primary reason, for example, why Samsung Electronics began producing TV sets at Billingham, northern England, in 1987.

The current strategy is more sophisticated. While Billingham remains a manufacturing plant, Samsung's new £450m electronics complex at nearby Wynyard – opened last week by the Queen – is due to have its own research and development centre to carry out product development and engineering.

Networks of component supply are being developed by the Koreans in Europe. Samsung, for example, produces colour picture tubes at a factory in Berlin which supplies its TV plants at Billingham and in Hungary. LG Electronics, meanwhile, is considering a TV components plant in Europe, although the site has not been decided.

Korean companies have even reached the stage where they are moving some of their foreign manufacturing locations for strategic or financial reasons. LG is considering shifting some of its video cassette recorder production from Germany, either to Ireland or to its recently extended TV and microwave oven plant in Newcastle, UK.

The strength of the D-Mark makes it difficult to make a profit manufacturing in Germany, says Henry Kim, manager of LG Electronics' strategic planning department. The company, which plans to invest $1.5bn by the year 2000 expanding its overseas production network, has already shifted TV production from a plant in Alabama to Mexico.

Samsung's Wynyard complex will initially produce microwave ovens and computer monitors, and marks Korean industry's biggest investment in western Europe.

Elsewhere, the most important developments have come in semiconductors.

The single largest investment anywhere by a Korean company was announced in May when Hyundai Electronics said it planned to spend $1.3bn on a semiconductor plant at Eugene, Oregon. Hyundai said it would be the world's largest memory chip factory.

Samsung has also decided to build a semiconductor plant in the US costing more than $1bn and sited either in Oregon or Texas, says Kang Hyo-jin, general manager of Samsung Group's overseas planning division.

Daewoo Electronics, which is not yet in the semiconductor business, is studying a plan to begin making non-memory chips. It would need a partner, says Chung Hee-myung, executive director of the company's overseas regional division – which suggests that it, too, might look towards the US.

Overseas production of Korean cars, which hitherto has primarily been based on knock-down kits, is also entering a new phase. Daewoo Motor, the third biggest Korean car maker, has an ambitious plan to be producing 2m vehicles by the end of the century, split equally between domestic and overseas production.

On top of existing joint ventures in India, Romania and Indonesia, new projects are under way or being considered in Uzbekistan, the Czech Republic, Vietnam, the Philippines and Iran. An automotive components plant is under consideration in China, which may lead later to full-scale car production. Daewoo is also negotiating to buy FSO, the Polish state-owned carmaker.

The new joint ventures will start producing on a knock-down basis for the first two years, but production will be localised after that. The overall aim is to exploit developing markets with growth potential, and to spread the $300m development cost of a new model over a wider base, says Lee Sung-sang, Daewoo Motor's director for business planning and analysis.

The most intriguing part of Daewoo Motors' overseas plans concerns western Europe. By improving quality levels each year in Romania and Uzbekistan, Daewoo hopes it will be able to export cars from there to the rest of Europe by the early years of the 21st century. These would replace cars imported from Korea, where labour costs are higher.

Meanwhile, Daewoo hopes to use its direct investments overseas to enhance the competitiveness of its domestic plants. It plans to begin component manufacture in India and Romania, enabling it to send engines and gearboxes back to Korea.

The potential takeover of FSO shows that Korean companies are not afraid to make acquisitions in their quest for globalisation, although greenfield sites are preferred. Recently several big takeovers have been announced which have partly been motivated by a need to acquire technology, but also to gain an important market position.

The purchase this year of Zenith Electronics, the US TV set manufacturer, gave LG Electronics the US market share it had tried without success to build on its own, says Mr Kim. Samsung Electronics' purchase of a 40 per cent stake in AST Research, the US personal computer manufacturer, brought the Korean group a distribution channel in an area where it was weak, says Mr Kang.

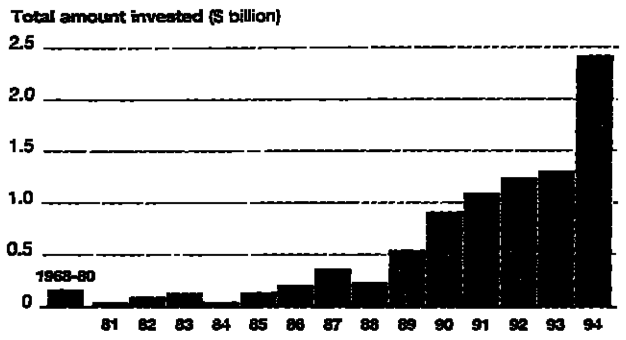
It is a sign of the Koreans' growing confidence overseas that they have been prepared to take over financially shaky companies if these meet the overall objectives of market access and/or technology gain.

So far, their record in turning round these companies, using the Korean strength in mass-production management, has been impressive. Samsung's colour picture tube factory in Berlin was losing $50m a year before it was acquired in 1993, says Mr Kang. It is now in "very good shape".

The Queen opens Samsung's new Wynyard factory complex

Mike Scott

Overseas direct investment



Source: Korea Institute of Industrial Economics & Trade

■ **Corporate finance:** by John Burton

Tables turn on traditional sources

Companies are being encouraged to reduce dependence on bank loans

Until recently, every New Year holiday, Korean corporate managers paid homage to their bankers by visiting their headquarters to offer congratulations. It was a necessary and important ritual because the banks were the main source of corporate financing.

Times have changed. "Now the bankers are visiting us at New Year," said one senior executive at a big electronics company. Banks are now desperate to lend to the company, which is raising 85 per cent of its current funds from the stock and bond markets.

Korean bankers may have to visit more corporate offices in the future. One of the main goals of South Korea's financial liberalisation programme is to persuade companies to reduce their dependence on bank loans and raise more capital from financial markets.

The shift in corporate financing sources is meant to relieve pressure on Korea's overstretched banking system, which is suffering under a burden of bad loans. The government also wants to reduce the economic power of the country's huge industrial conglomerates, or chaebol, and change their structure.

The increased issuance of shares by the chaebol would dilute the family ownership of the groups. Most chaebol subsidiaries are closely-held. Samsung, Korea's largest conglomerate, has listed only 12 of its 55 subsidiaries, while a mere 11 of Hyundai's 47 subsidiaries are publicly-traded.

Officials hope that the market discipline imposed by outside investors will force the chaebol to depose of unprofitable businesses and improve their efficiency by concentrating on core activities.

The chaebol have tended to expand relentlessly because of their preferential access to bank loans, which has undermined efforts to operate the groups on a cost-effective basis. The government, anxious to force the chaebol to increase direct financing from capital markets, has imposed a ceiling on the percentage of total loans that banks can give to the chaebol.

Interest rates on soft "policy" loans, which are given to strategic industries favoured by the government, are being deregulated. These subsidised loans, which have been a main instrument in building up Korea's industrial structure, are scheduled to be phased out by 1997. The government is also easing complex listing requirements that have prevented companies from becoming publicly traded.

The policy has already borne some success. Direct financing accounted for 49 per cent of Won52,800bn in total corporate funds during the first half of 1995 against 34.8 per cent a year earlier. Twice the amount of funds are being raised in the bond market than in the stock market. Borrowing from financial institutions shrank to 33.7 per cent during the same period, down from 51.2 per cent a year ago. In addition, more than 200 companies are queueing up to be listed on the Seoul stock exchange.

A big obstacle, however, to increased direct corporate financing is the scarcity of capital in Korea. The stock market has suffered from periodic liquidity shortages, limiting possibilities for the chaebol to list shares.

Capital from overseas investors could help relieve the liquidity shortage. But the government has so far limited foreign shareholdings in listed companies to 15 per cent because of fears that a massive inflow of overseas funds would increase inflationary pressure.

> 'Government policy is contradictory and it is likely to continue be so, at least in the near future'

The absence of double-taxation treaties on capital gains with Japan, Germany and Hong Kong, which are potentially large sources of investments, has further slow down the inflow of foreign capital into the stock market.

Compounding the problem is frequent government intervention in the stock market. Officials have held, for example, back share issues when the market is bearish to prevent stock prices from dropping further as a result of a surplus in share offers.

In the case of the Hyundai industrial group, the government blocked approval for it to issue initial public offerings for Hyundai Heavy Industries, the giant shipbuilding unit, and several other Hyundai subsidiaries for political reasons. Officials wanted to impose financial sanctions on Hyundai after its founder stood against President Kim Young-sam in a 1992 national election.

"Government policy is contradictory and it is likely to continue to be so, at least in the near future," said Lee Hahn-koo, president of the Daewoo Economic Research Institute. "The move toward direct financing is being hampered by political factors because the bureaucrats want to maintain influence over the financial markets."

However, the government is trying to increase the flow of funds into the stock and bond markets through other means. A recent change in the tax laws imposed levies on interest income from most financial instruments except stocks and long-term bonds, which make them attractive tax havens for investors.

Analysts expect a surge of funds into the stock market until 1998, when a capital gains tax will be levied on shares. Korean companies, which normally rely on three-year bonds, are planning to increase the number of their long-term bond issues with a maturity of at least five years.

Corporate executives would prefer to tap foreign financial markets where interest rates are lower, but the government has imposed ceilings on how much capital they can raise abroad. The current yield on benchmark three-year corporate bonds in Korea is, at 12.5 per cent, almost twice the rate prevailing in main overseas capital markets.

Officials argue that controls over overseas borrowing are necessary to prevent Korea's overleveraged companies from accumulating further debt, particularly in foreign hands.

The government, however, has promised to substantially liberalise overseas borrowing rights by 1999 and has begun relaxing restrictions. Foreign borrowing by Korean companies jumped to Won4,000bn during the first half of 1995 from Won1,700bn a year ago.

Korean companies were granted permission by Seoul last year to list their shares on foreign bourses. Pohang Iron & Steel (Posco) and Korea Electric Power, both state-owned enterprises, were the first to be listed on the New York Stock Exchange last October.

The London Stock Exchange has received several Korean depositary receipt listings this year, including Korea Mobile Telecom, Mando Machinery and Hyundai Motor, while Samsung Electronics and Posco are expected to be listed shortly.

But Korea's murky accounting practices are proving an obstacle to some listings, particularly on the New York Stock Exchange, which demands consolidated accounts for three years prior to the listing. This is proving difficult for Korean companies, which often produce less detailed accounts than required by the NYSE.

■ **Privatisation:** by John Burton

Ambitious schedule begins to slip

A weak bourse and state hesitancy has set back the sale of government-run companies

South Korea's ambitious privatisation programme is faltering only two years after its launch.

The government in 1993 announced that it would sell its shareholdings in 58 of the 138 companies that it wholly or partially owns, while merging another 10. Officials predicted that at least Won7,000bn would be raised from the programme by early 1998, when it was scheduled to be completed. Proceeds would be used mainly to finance an improvement of the country's overburdened infrastructure.

The privatisation programme was hailed as a centrepiece of President Kim Young-sam's economic deregulation policy. Mr Kim criticised state companies for inefficient management, although most are profitable due to the monopoly status often enjoyed in their respective sectors.

Privatisation got off to a strong start with the sale of stakes in state-controlled banks and telecom operators. A buoyant stock market last year led to the successful listing of Kookmin Bank (formerly Citizens National Bank) and Korea Exchange Bank.

Domestic financial institutions bought an initial 20 per cent stake in Korea Telecom, while the government sold a controlling interest in Korea Mobile Telecom (KMT) to the Sunkyong group and reduced its shareholding in the company to 20 per cent.

Other big sales included the purchase of Korea Fertilizer and Chemicals by Samsung and Korea Tungsten Mining by the Keopyong textile group.

This year, however, the schedule has slipped badly. The government planned to list Korea Telecom by offering 14 per cent of its shares to the public, while completing the privatisation of the Kookmin and Korea Exchange banks and KMT through additional share issues. It also wanted to reduce its shareholdings in some of the biggest companies under its control, including Korea Gas, Korea Heavy Industries & Construction (also known as Hanjung) and Namhae Chemical.

However, with the exception of Namhae, these plans are likely to be postponed. The weakness of the stock market, suffering from a liquidity shortage, is a main reason. Officials feared the listing of state companies would create a surplus of share issues, further reducing stock prices.

The probable delay in listing Korea Telecom until next spring would set back plans to privatise the company completely by 1999. Moreover, other state companies scheduled to be listed on the Seoul bourse will have to compete for scarce capital against private companies, which are expected to increase their share issues over the next few years.

Liquidity problems in the market would be eased if foreign investors could buy shares in the privatised companies. But present by-laws of the state enterprises in many cases prohibit foreign ownership, although these restrictions may be relaxed, as they were for the Kookmin and Korea Exchange banks.

The government has used public tenders as an alternative to share issues in privatising companies. But this raises the question of how to implement privatisation without strengthening the country's powerful industrial conglomerates, or chaebol.

In most cases, the chaebol are the only organisations with the finances to buy the state companies directly from the government. Handing over ownership of state enterprises to the chaebol would go against government efforts to reduce the economic dominance of the groups. Officials have already imposed limits on the shareholdings the chaebol can acquire in state companies being listed.

The chaebol are eager to acquire control of Korea Gas, the nation's sole gas supplier, and Hanjung, which has a monopoly in manufacturing power generation equipment.

The LG and Sunkyong groups, which operate big oil refining and distribution businesses, have expressed interest in Korea Gas. Hyundai and Samsung among other groups regard Hanjung as essential in expanding their heavy machinery operations. But government research institutes have recently released reports suggesting the privatisation of the two companies should be delayed until 1998.

The Korea Energy Economics Institute said the early privatisation of Korea Gas could set back construction of a national gas pipeline network. Meanwhile, the Korea Institute for Industrial Economics & Trade said a delay in the privatisation of Hanjung was necessary to develop a ownership structure that would ensure a fair dispersal of shares among employees, domestic companies and foreign power generation manufacturers.

The recommendations have increased speculation that the government may want to shelve privatisation plans for the two companies and keep them under its control. The government also appears to be retreating from earlier commitments to give up its controlling stakes in Pohang Iron & Steel and Korea Electric Power, the two crown jewels of the state industrial sector.

Resistance to privatisation is strong "in the bureaucracy and among public sector workers and the government does not want to alienate them", as parliamentary and presidential elections approach, said Lee Hahn-koo, president of Daewoo Economic Research Institute. "This will likely mean that privatisation will slow down," until the election cycle is completed in 1997 because "it represents a big political problem for the government." Ministries are reluctant to relinquish control of the groups they command, while state workers worry about losing their jobs due to privatisation.

■ **Banking:** by John Burton

Institutions face rigours of the market

Competition is stretching the resources of a sector already hit by bad loans

Korean banking profits and bad loans

	Net profit for first half of 1995	Change in profit from year earlier	Bad loans as % of total loans for end-Jun 1995 and end-Dec 1994	Moody's Bank financial strength rating (BFSR) with E minus the lowest rating
Cho Hung Bank	Won12.2bn	down 90 per cent	1.7/1.2	D plus
Commercial Bank of Korea	Won34.9	up 120 per cent	0.8/0.6	E plus
Korea First Bank	loss of Won138.2bn	-	1.9/0.9	D
Hanil Bank	Won31.1bn	down 55 per cent	1.0/0.8	D plus
Seoul Bank	minus Won33.8bn	-	2.7/2.3	E plus
Korea Exchange Bank	Won5.8bn	down 91.5 per cent	0.9/1.0	D
Shinhan Bank	Won62.5bn	down 11 per cent	0.75/0.6	C

Source: Bank of Korea

South Korean officials describe 1996 as the take-off period for financial liberalisation after several years of careful preparation. But doubts remain as to whether the nation's banks can weather the rigours of a more market-oriented system.

Commercial banks are already feeling the effects of interest rate deregulation, the first big step in the liberalisation programme.

Interest rate liberalisation, which began in 1991 and is expected to be completed by 1997, is beginning to narrow the once-fat interest margins as banks compete to charge lower loan rates and pay higher premiums on deposits.

Analysts believe the margins have not yet shrunk significantly only because government regulators have used informal window guidance to keep the interest rate mechanism stable to avoid harming the banking system.

Banks are also losing business as the government pushes companies to reduce their dependence on bank loans and raise more capital in the financial markets. One result of this is that banks are relying more on less creditworthy companies for their business as the big industrial groups shift to direct financing.

With the threatened fall in interest income and secure corporate lending, the banks are pursuing the risky strategy of using capital gains from securities to bolster profits. The ratio of bank holdings in stocks has climbed from 8.2 per cent of total assets in 1991 to 13.7 per cent in mid-1995, according to the Korean central bank.

The strategy paid good dividends last year as the stock market provided the banks with more than $1.3bn in capital gains.

But the dangers of relying on the bourse for profits became apparent this year as the market turned weak. The 25 commercial banks reported a combined loss of Won72.6bn during the first half of 1995 against a total profit of Won571bn a year ago. The deficit was incurred as the banks were forced by the authorities to set aside Won79bn in reserves for potential stock market losses.

Continued weakness in the stock market would also set back efforts to reduce the banks' pile of bad loans. The banks used last year's capital gains to cut the amount of non-performing loans from Won2,955bn at end-1993 to Won1,925bn at end-1994. But a series of corporate bankruptcies and the introduction of new and broader criteria to identify problem loans sent the figure climbing to Won2,733bn by the end of June, almost wiping out the progress achieved.

Moreover, the extent of the problem remains unknown. Government and bank officials have been blamed for hiding the growing troubles of the banks. The Office of Bank Supervision has suggested that the amount of non-performing loans could reach Won11,000bn. The burden falls heaviest on the six leading and oldest banks, forced for decades by the government to make low-interest, and often risky, loans to designated industries.

The Organisation for Economic Co-operation and Development has suggested the pace of financial liberalisation could slow as Korean officials worry that rapid deregulation could lead to a banking collapse. Such a delay would jeopardise Korea's plans to join the OECD by the end of next year.

Analysts believe deregulation will allow the banks to recover by permitting them to enter new businesses.

Korea is moving cautiously toward a universal banking system that would break down the barriers between commercial and investment banking.

Reduced government intervention in bank management means the banks can broaden their activities. Plans to phase out the low-interest industrial "policy" loans by 1997 will give them freedom to make credit decisions on a profit-oriented basis rather than obeying state rules on lending practices.

Still more may have to be done to stabilise the banking sector. The finance and economy ministry is hoping for a consolidation of the industry through voluntary mergers, although none has yet occured.

But analysts express scepticism that mergers will take place. "The banks have strong independent identities and mergers could cause corporate cultural clashes among employees, hindering bank operations," said Eugene Yun, chief economist at Schroders Securities in Seoul.

An alternative would be to recapitalise banks by attracting outside investors. But the government, in a move to limit their dominance, has banned the country's industrial groups – the largest potential source of funds – from gaining stakes of more than 4 per cent in main commercial banks.

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■ **Technology and R&D:** by Andrew Baxter

Looking to home territory

Industry, which has long relied on foreign input, is improving its own R&D capabilities

Korean industry, which for years has relied heavily on technology transfer from western and Japanese companies, is improving its own research and development activities and buying foreign companies which offer much-needed technology assets or engineering expertise.

The shift in emphasis reflects the universal recognition among the chaebol (conglomerates), government technology policy officials and observers that Korea needs more strings to its bow than its mastery of mass production.

At the same time, it is accepted that foreign companies are increasingly reluctant to transfer technology to the Koreans. "Our R&D has fallen behind," says Dr Lee Hahn-koo, president of Daewoo Research Institute. "There is still a wide technology gap between Korea and Europe or the US."

In 1992, Korea spent 2.17 per cent of gross national product on R&D, compared with 2.6 per cent for the US and 2.72 per cent for Japan. The Korean figure has risen slightly since then, but the government's target, boosting R&D to 5 per cent of GNP by the year 2000, still looks a long way off.

The historically low levels of R&D spending – less than 1 per cent of GNP a year before 1982 – are a result of the reliance on imported technology. In 1993, Korea's receipts for exporting its technology were just 5 per cent of payments it made.

In the uncertain climate for technology transfer, the development of Korea's own R&D resources becomes increasingly important if its industry is to complete the transition from labour-intensive to technology-intensive status.

The private sector accounts for about 80 per cent of Korean R&D spending, but the government is encouraging technological innovation. Its industrial technology policy for competitiveness has four targets:

- development of strategic technologies;
- building a technology infrastructure;
- effective commercialisation and deployment of new technologies and
- promotion of international technology co-operation.

Upgrading the technology infrastructure is the priority, says Paik Man-gi, director of the industrial technology planning division at the ministry of trade, industry and energy.

Electronics companies, already spending much more than the national average on R&D, are stepping up their investments. Daewoo Electronics, for example, aims to lift its R&D spending from 8 to 10 per cent of sales by the year 2000.

To help achieve this, Daewoo has set up research and engineering centres from San Jose in the US to Metz in France and Fukuoka in Japan.

Buying companies with important or promising technology, however, can be a quicker route.

In electronics, Samsung has bought 40 per cent of AST Research, the US personal computer manufacturer, for $378m, and narrowly lost a battle with Hyundai Electronics to buy the semiconductor operations of AT&T-Global Information Solutions. The $340m deal will enable Hyundai to begin production of advanced non-memory chips. Hyundai has also paid $150m for a 40 per cent stake in Maxtor, a San-Jose based producer of hard disk drives, while LG Electronics is paying $351m, including $165m of direct investment, for Zenith, the last US-owned manufacturer of TV sets.

Richard Samuelson, head of research at SBC Warburg Securities in Seoul believes it is important for the Korean semiconductor industry to develop a presence in non-memory chips, which are more specialised and profitable than those, such as D-RAMs, on which its success has been based.

But he is not "completely convinced" that some of the companies purchased by the Koreans will make them world leaders. The key manufacturers of central processing units are Intel and Motorola, and they are not available for the Koreans to buy.

The Koreans, though, believe the deals make good sense. "Even if the technology acquired is not at the absolute core, it can be a way in that takes you to the core," says Kim Suk, executive director and group treasurer at Samsung Group.

Buying technology-intensive overseas companies can also help Korean industry address the shortage of engineers and designers at home – a consequence of the long history of importing innovation.

Daewoo Motor's purchase of the IAD facility, for example, has put it in a strong position at a time when both Samsung and SSangyong are planning to enter the car industry, and the government has said it will not allow companies to "poach" engineers from rivals.

CASE STUDY The Seoul-Pusan high-speed rail project

Not without risks

The sensitivity of foreign companies to the risks inherent in technology transfer is illustrated by the case of the Seoul-Pusan high-speed rail project. A Japanese bid to build the trains was rejected because builders of the shinkansen "bullet trains" could not accept the Koreans' demand for full transfer of all the key technologies.

After a bitter battle between GEC Alsthom and Siemens, respectively the builders of the TGV and ICE (InterCity Express) high-speed trains, the Korean TGV Consortium won a tightly priced $2.1bn contract last year for 48 train sets and related equipment.

The four foreign partners in the consortium, Eukorail, have guaranteed complete technology transfer, while 50 per cent of the contract, by value, will be made in Korea. Korea has a railway supply industry, says Francis Berton, Eukorail's executive vice-president, but lacked technologies specific to high-speed trains: airtightness technology to prevent a pressure wave in the tunnels which will make up 30 per cent of the route, special bogies, traction and electrical current systems.

A complex, progressive process of technology transfer is under way. The Korea High Speed Rail Construction Authority estimates that 1,025 workers in 60 specialities will receive 4,979 man-months of training. Korean companies in the consortium are paying for a further 600 man-months of training.

Whether the Japanese were right to refuse full technology transfer to the Koreans is debatable. Recent press reports in Korea suggest a second high-speed line, from Seoul to Mokpo in south-western Korea, will use only local equipment. But the technology is changing fast and Korea has not been given access to the technology to be used on forthcoming TGV models, nor to the Europeans' conceptual design work.

Jung Young-wan, director of the authority's technology management bureau, says Korea can build its own high-speed system but it would need outside help to develop a second generation train, travelling at speeds of about 350kph against 300kph for the current project.

Nor is it certain that Korea would emerge as a new competitor in foreign markets – which is why technology donors tend to be uneasy about transfer deals.

■ **Inward Investment:** by Emiko Terazono

Entry still a difficult process

In spite of state efforts to open up the market, several obstacles still block foreign investment

A day rarely passes in Korea without talk among corporate executives or word in newspapers about "globalisation". According to Korean government officials, the initiative includes the "comprehensive and substantial" opening of the country's domestic markets.

But while the fall in new foreign investment has been reversed over the past year thanks to simplified approval procedures and new incentives, just what the self proclaimed openness means in terms of opportunities for foreign exporters and investors remains unclear.

Bilateral trade negotiations between the US and Korea over the opening of Korea's car market is a case in point. While the Koreans conceded by agreeing to lower registration taxes on cars with bigger engines, the US carmakers are expected to gain little from the agreement since the changes will benefit Korean models even more.

The main stumbling block for foreign exporters is the existence of non-tariff barriers. According to the Political and Economic Risk Consultancy, a Hong Kong-based consulting company, Korea ranks second in discrimination against foreign investment following India.

Structural barriers faced by foreign exporters, according to the report, include lengthy customs clearance times, ambiguous regulations and anti-consumption campaigns led by the private and public sector. Foreign investors, meanwhile, suffer from a lack of skilled workers and have to compete with Korean companies allegedly employing illegal foreign labourers.

The government's push for self sufficiency is also bad news for foreign exporters. In May, the government announced its "import substitution" programme affecting 105 products imported into Korea. This is likely to hurt the European Union, since the list includes products such as machinery and electronic components, which the region currently provides.

On the foreign investment front, the telecommunications, construction and oil refining sectors are among industries touted to be opened to foreign competition over the next few years. However, analysts doubt that there will be a rush of activity by overseas corporations to enter the market.

One problem foreign telecoms operators face in entering the Korean market is the absence of switching systems. Creating a new system is not feasible since it will mean vast investments. Jon Chong-hwa, analyst at Baring Securities points out that opportunities for overseas corporations will lie in the $8bn equipment market especially in mobile telephones. Demand for mobile phones is expected to rise by an annual 53 per cent by 1997.

In the $80bn construction market, the government wants to rationalise its industry ahead of the market opening in 1997 through a shift away from its emphasis on price when granting projects to quality and technology. And after the spate of embarrassing construction disasters including the collapse of Seoul's Songsu Bridge and Sampoong Department Store, the government is eager to raise the overall quality of construction.

With the government launching its long-term infrastructure plan to upgrade ports, bridges, and roads, opportunities for newcomers seem large. But do not expect the doors to open immediately, says Bill Sohn, construction analyst at Schroders in Seoul.

"It will take too much capital and time for foreign general contractors to build up a network of subcontractors whose skills are up to western standards," he says.

Instead, the lack of qualified supervisors and consultants in Korea, provides opportunities for foreign companies. Foreign companies may find entering specialised areas such as electrical plant engineering easier.

In the oil refinery sector, the openings are likely to be limited because of the huge capital investment in refining facilities involved for newcomers and the government rule which limits refining capacity to 130 per cent of domestic consumption. Price wars among oil refiners also makes entering the market difficult.

"In the end, foreign companies will ask themselves whether it's really worth it," says George Goundry, analyst at Jardine Fleming in Seoul.

Meanwhile, deregulation presents a dilemma for the government. It has tried to use regulations to rein in the chaebol, or conglomerates, which dominate a vast chunk of the country's economy.

This tactic has so far only distorted the market since market entry restrictions sheltered the chaebol and increased inefficiencies at the small companies the restrictions were supposed to protect.

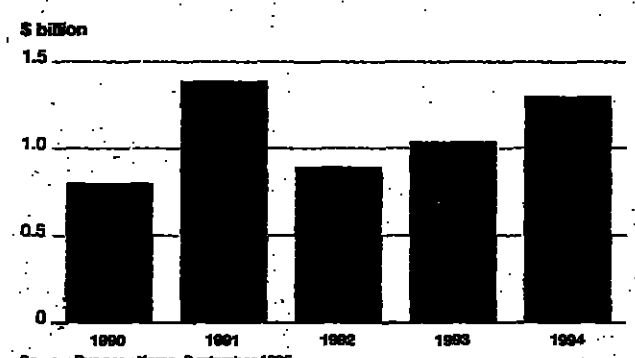
Many fear that removing regulations will allow other chaebols to expand further. The size of the conglomerates means loss-making affiliates can continue operating through subsidiaries from other parts of the group. Long-term relationships the chaebol have built up with politicians, clients and the government also help sustain inefficient subsidiaries.

These large corporate groups have been Korea's strength in the past, but they now threaten to hamper competitiveness.

As "globalisation" pushes Korean companies further into the international business arena, the country will face more pressure to increase opportunities for foreign players in its domestic markets.

The government is eager to raise the quality of construction Soazig Lemoine

Inward investment



Source: Business Korea, September 1995

■ **Steel industry:** by Andrew Baxter

Old sector, new frontiers

Why the country's producers must be the envy of their western counterparts

Oblivious to the boom-and-bust cycles shaping the fortunes of their counterparts in western countries, Korean steel producers are rapidly expanding capacity to exploit the expected sharp growth in domestic and regional demand.

The expansion is being led by the nation's only integrated producer, Pohang Iron and Steel (Posco), which dominates the flat products market and has a domestic share of about 70 per cent. It is adding a fifth blast furnace, with a crude steel capacity of 3m tonnes a year, at its Kwangyang works, bringing its total number of blast furnaces to Kwangyang and Pohang to nine.

Along with other expansions, including new electric arc furnace minimills and a 600,000 tonne-a-year Corex (direct reduction melting) facility at Pohang, Posco's total capacity is expected to rise from about 21m tonnes a year to 28.5m by the year 2000.

The other steel producers – minimills that use electric arc furnaces to make products for the construction industry – are also expanding. Projects are being considered, have been announced or are under way at companies such as Hanbo Steel, Kia Steel, Dongbu Steel, Union Steel, Inchon Iron and Steel and Hwan Young Steel.

The expansion is being encouraged by the government, which recently extended a soft loan rate scheme for the industry. Producers are also benefiting from tax breaks and favourable locations, notably the Asan Bay government enterprise zone.

Yet, while the government has reduced its influence on the industry, it still cannot resist some interference. A plan by Hyundai to build a 10m tonne-a-year integrated steel mill is considered unlikely to go ahead, ostensibly because a plant of such a size would be too big and inflexible, but possibly because of political opposition too. Hyundai uses 6m tonnes a year in its car, shipbuilding and electronics businesses, and the steel mill plan was vigorously opposed by Posco.

It is understood the government also insisted that Posco add the ninth blast furnace – rather than take a more complicated technology route – so that Korea's shortage of flat products could be addressed as quickly as possible.

Overall, the expansions should raise Korea's total crude steel capacity from about 40m tonnes today to nearly 50m by 2000, of which about half would come from the minimills. Posco would become the world's biggest producer, even if Nippon Steel's capacity remains larger.

The expansions will cause severe financial strains and potentially heavy losses among some of the smaller minimill producers, but analysts believe they make sense from a long-term industrial perspective. All big steel consuming sectors are set to increase demand in the coming years, according to Mr Felix Otto D'Souza of Dongbang Peregrine Securities.

Kwangyang steelworks: steel producers are rapidly increasing capacity

Boosted by Samsung's entry into the market, car production will rise to 3.1m units in 1998, 50 per cent up on its 1993 level of 2m. Meanwhile, the shipbuilding industry is expanding capacity in response to new orders.

The outlook is also improving for producers of constructional steel. "Their big problem has been construction demand," says Mr D'Souza. "Large infrastructure projects were delayed because of fears that the economy was overheating, but several big projects consuming enormous amounts of steel will start soon." Even with the planned increases in capacity, he says, there will still be a production deficit of about 1m tonnes of crude steel equivalent in the year 2000.

Recent expansion overseas has also been led by Posco. Two modest joint ventures in Vietnam – Posvina for coated steel sheet and the Vinapipe pipe mill – have been followed by the much more significant VSC-Posco Steel project in Haiphong, which will have annual capacity of 200,000 tonnes in long products – bars and wire rods. A 100,000 tonne a year joint venture galvanising mill is planned for China, where Posco is already building a coil processing centre at Tianjin. A strong presence in China is seen as desirable, not only to serve the local market but also, say observers, to anticipate any move by Posco's customers to begin production in the Korean car industry.

Posco has also invested in a Japanese steel service centre, while, upstream, it has formed Kobrasco, a 50/50 joint venture with CVRD of Brazil to build an iron-ore pelletising plant in Brazil. The new blast furnace will sharply increase Posco's need for iron ore pellets, and more than half of the plant's 4m-tonne annual output will be bought by the Korean steelmaker.

Two other Korean steel companies, meanwhile, are involved in projects in Venezuela. Dongkuk Steel is in a joint feasibility study, which includes Japan's Kobe Steel, for a plant at Ciudad Guyana that would produce slabs for export to Korea. Hanbo and a subsidiary of CVG, the Venezuelan mining and industrial group, are to build an iron ore pelletising plant.

Expansion in neighbouring countries will help Korean steelmakers maintain and develop their export markets. At the same time, the increases in domestic capacity will enable them to satisfy regional demand – boosted by investment in infrastructure and by the strength of the yen, which has helped the industry outdo Japan.

Posco has achieved what would have been unthinkable even five years ago by beginning to supply steel to Japan's ultra-fastidious carmakers – underlining how Korean steel is now rivalling Japanese quality levels.

But the Korean producer is obliged to meet its domestic customers' orders fully, and its exports have dipped from about one third of production in 1992 to about 25 per cent. The ratio will rise again, Mr D'Souza believes, after the new blast furnace comes on stream in 1997-98.

Korean crude steel equivalent supply and demand forecasts

(m tonnes)	1993	1997 (estimate)	2000 (estimate)	Compound growth (%)
Total demand	38.2	42.3	48.8	3.6
Export	11.5	12.9	14.5	3.4
Domestic	26.7	29.4	34.3	3.6
Total production	33	38.9	47.9	5.5
Blast furnace/Corex	22.5	24.5	28.5	3.4
Electric furnace	10.5	14.4	19.4	9.2
Production deficit	(5.2)	(3.4)	(0.9)	

Source: South Korea Steel Association and Dongbang Peregrine estimates

■ **Shipbuilding:** by Andrew Baxter

Taking on the world

The drive to win more international orders has its detractors in Japan and the EU

Korea's shipbuilders are alarming their rivals in Japan and the European Union by a number of ambitious shipyard expansion projects designed to strengthen their market position further.

The highly export-oriented industry already produces one in four trading vessels operating in the world, but is coming under fire for potentially exacerbating overcapacity in the cyclical world shipbuilding market. "The big Korean shipyards are competing with each other to be the largest," says one European observer. "It's irrational, and not part of a national strategy."

But the shipyards that are making, or have completed, the expansions defend their actions. Hyundai Heavy Industries, which completed two new VLCC building berths this year at its Ulsan shipbuilding complex, says the expansion is aimed more at improving efficiency and working conditions than at raising output.

The government imposed a ban on capacity expansion in 1989 as part of a rationalisation programme for an industry that was in deep trouble because of stiff price competition, wage increases and labour problems. State support was needed to keep some of the yards open.

Since then, its fortunes have been transformed. A key move was made in 1993, according to a recent report on the world shipbuilding industry by Barry Rogliano Salles, the Paris broker. To stimulate sales at a time of persistently low freight rates and worsening recession in Japan and Europe, Korean yards reduced prices by a further 5-10 per cent, in spite of the US recovery and vigorous growth in south-east Asia.

It was an aggressive tactic and paid off. For the first time, Korea's year-end order book for 1993 exceeded that of Japan's, at 17.8m dead weight tonnes (dwt) against 15.9m. The Korean berths were kept busy with orders scheduled for delivery in 1994 and 1995, even winning business from Japanese shipping companies.

Yune Won-seok, president of Daewoo Heavy Industries, sees a number of underlying factors in the Koreans' success, technically and in volume terms, since the end of the 1980s.

"We have had comparatively cheaper wages than the Japanese, although our advantage is not as great as it was," he says. "Our engineering and technology levels are very high, relative to other industries in Korea, and we are almost independent in technology, while other industries are still fairly dependent on foreign technologies."

Currency has played an important part, too. South Korean competitiveness has been bolstered by the rise of the Japanese yen against the dollar, in a world market that is largely dollar-denominated. The Koreans also have access to reasonably priced, good quality components including home-produced steel plate.

But the Japanese fought back last year. After the Koreans took top place in new orders for 1993, at 9.5m gross tons (gt), they slipped back to second place in 1994. The year-end order-book stood at 15.6m dwt, compared with 21.1m for the Japanese, according to Lloyd's Shipping Economist.

This was partly due to aggressive pricing from the Japanese but also to the Koreans' limited capacity – only half that of Japanese yards. Meanwhile, though, the Korean government had lifted its ban on new capacity, under pressure from Samsung Heavy Industries, whose shipyard on Koje Island was small by Korean standards.

Samsung's plan was to double capacity by expanding its second dock and building a third – completed last October. It was vigorously opposed by rival shipyards, yet some of them have since announced their own big expansion projects. Apart from Hyundai, the main project is at Halla Engineering and Heavy Industries, which is building a completely new complex at Mokpo, in south-western Korea.

A dry dock: ambitious expansion projects have created controversy

Overall, the expansion plans will lift the industry production capacity from a theoretical annual maximum of 4.5m gt to 7m-7.5m gt by 1997, which would give the Koreans about one third of the world market if all the capacity was used.

Criticism of the expansion has been led by the EU and Japan, which have warned that the new capacity could disrupt world shipbuilding markets and undermine implementation next year of the 1994 OECD treaty to phase out subsidies in the industry.

This makes the timing of the expansion sensitive, raising the prospect of the Koreans increasing their market share while others go under. As Ahn Teck-sang, general manager for sales administration at Samsung Heavy Industries' shipbuilding division, admits: "Governments will not be able to give help to their shipbuilding industries. So we expect the companies that cannot operate profitably will naturally go out of business."

However, Korea, while not yet a member of the OECD, was a signatory to the treaty and has stressed that the expansions were private-sector decisions. The EU believes it has made good progress in winning Korea's acceptance that it will no longer rescue shipbuilders that get into trouble through excessive expansion.

The Korean shipyards do not envisage that happening, and in the short- and medium-term, at least, they could be right. In the first half of this year the industry won orders for [illegible] ships or 3.26m gt, up 65 per cent compared with the first six months of 1994. Demand is rising sharply, says Mr Ahn, due in part to the need for tankers built in the 1970s to be replaced. Because of the strong yen, Japanese yards will not be able to meet expected demand, he says.

Mr Yune shares Mr Ahn's enthusiasm, but in contrast to its rivals, Daewoo has not expanded capacity. "It is not economically feasible for us," he says. "The industry is already oversupplied with capacity all over the world."

Apart from the strength of the yen, the Rogliano report highlights a number of reasons why, from the Koreans' point of view, it makes sense to expand. These include expanding international trade levels, the Korean yards' improved productivity, and new environmental regulations that will require oil tankers built between 1970 and 1976 to be replaced.

At present, Korean yards hold most of the strong cards in their battle against their rivals across the East Sea (Sea of Japan). Labour costs are rising, but are still only about 65 per cent of Japanese levels, says Mr Yune. Even so, he adds, the fact that the Japanese side is still winning business shows that labour costs are not the only factor. There is still room for Korean yards to improve their productivity and expertise in design and production.

Korean expansion looks more questionable from a long-term perspective. It faces growing competition from China's fast-developing shipbuilding industry, whose only present advantage is on labour costs. "They are making big efforts to participate in this business," says Mr Ahn.

With 90 per cent of orders exported, the Koreans would also need to react to any long-term revaluation of the won – a possibility if Korea ever begins to generate Japanese-style trade surpluses.

Some defensive strategies are already emerging, apart from continuing drives to improve efficiency. The product range, historically mainly bulk carriers and container ships, will be broadened to include a bigger proportion of higher value-added vessels such as car ferries and cruisers, while imports of more labour-intensive components will be increased.

But the combination of new low-cost competition, less favourable terms of trade and another shipbuilding recession could land the Koreans with an overcapacity problem in the early years of the 21st century – and nobody to turn to for help, at least directly.

■ **Domestic production:** by Andrew Baxter

Undaunted by long-term worries

Expansion continues despite rising labour costs and a maturing of the market

While overseas expansion has been top of the agenda for big Korean companies over the past two years, ambitious plans for increasing domestic capacity have also been announced, in spite of rising labour costs and a maturing domestic market in some sectors.

The reasons for the expansion, in industries ranging from cars, electronics, and petrochemicals to steel and shipbuilding vary, as does the strength of the arguments to justify such moves.

In several cases, the increased capacity will only put new pressure on industry to expand exports at a time when trade friction, the build-up of rival industries overseas and other factors could make that harder to achieve.

According to the ministry of trade, industry and energy, facility investment rose nearly 60 per cent in the first half of the year to Won14,600bn, with the most active sectors being machinery, semiconductors, cars shipbuilding, steel and chemicals.

The figure is based on a survey of 200 big companies, while the main reasons for the rise in spending were economic recovery in Korea and overseas, and the strength of the Japanese yen. Growth in spending was predicted to slow in the second half because of the recent weakening of the yen.

Across many industrial sectors in Korea, expansion by one company tends to be followed by similar programmes at rivals.

In contrast with previous rounds of expansion in domestic industry, however, long-term risks are no longer beyond the horizon.

As labour costs rise in Korea, China is trying to build on its cost-advantage and develop industries that can compete fully with their Korean counterparts, towards the end of this century in some industries and a little later elsewhere.

Meanwhile, exporters from Korea have benefited strongly from the relative weakness of the won against the dollar, as compared with the strength of the yen against the US currency.

If Korea's development was to mirror that of Japan's – as it has in many respects already – it could begin to build the persistent trade surpluses that would bolster the won and worsen terms of trade for exporters.

None of these long-term concerns prevented a recent crop of expansion programmes in the petrochemical industry. In the late 1980s, money was being channelled into both semiconductors and petrochemicals, but while the electronics investments flourished, petrochemical producers lost money because of weak demand.

> Controversy runs deepest over plans for expansion in the car industry

Last year, however, their fortunes changed when increased activity among customers and supply constraints caused by a number of one-off events in the petrochemical industry led to shortages.

The Korean producers suddenly found their products in demand, and as the industry's finances swung into the black, the government was persuaded to lift its ban on new petrochemical capacity.

Richard Samuelson, head of research at SBC Warburg Securities, believes the petrochemical industry has just two or three years "breathing space" to benefit from capacity expansions.

Much of the increased demand will be in the form of exports from China, he says, but the Chinese are rapidly expanding their petrochemical industry, with new capacity coming on stream by 1999. Subsequently, the Koreans would find themselves with excess capacity.

Dr Lee Hahn-koo, the independently-minded president of Daewoo Research Institute, recalls being criticised for questioning the logic of the expansion. "The petrochemical companies were saying they could make a lot of money, even though many industrial analysts were saying it was nonsense to expand. But the individual companies may each have had their own reasons for going ahead."

The main justification of such schemes, he says, is whether they can help companies or industries maintain or improve competitiveness. In that sense, he says, it is difficult to be optimistic about the expansions in the petrochemical and shipbuilding industries, while those in steel, electronics and cars should not cause too many problems for the industries.

The steel industry has a good case for expanding capacity based on domestic growth projections, let alone the expected rise in regional demand, while the Korean semiconductor industry has been among the world's heavier investors at home and overseas.

The focus of domestic spending in semiconductors and consumer electronics is shifting, though, from outright expansion of production to investments that will allow greater concentration on higher value-added products.

Controversy runs deepest over the domestic expansion planned or under way in the car industry. Samsung is entering the market by opening its first car plant in 1997, with a target capacity of 500,000 cars by the year 2,000. SSangyong, which produces commercial trucks and sports vehicles, plans to start car manufacturing in co-operation with Mercedes-Benz, reaching production levels of 150,000 units a year by 2000.

Daewoo Motor, Korea's third biggest producer behind Hyundai and Kia, is to open a new car plant at Kunsan City next year with a capacity of 300,000 units. Its existing plant at Pupyong, near Seoul, has annual capacity of about 450,000 cars.

If all the projected plans go ahead, Korea will be producing 4.5m to 5m cars by 2000, compared with production last year of just 2.31m. With the domestic market projected to rise only slightly over the next few years, it means that Korea would have to export about half of its production to fill that capacity.

"We expect the domestic market will be 2m units a year even after 2000," says Lee Sung-sang, Daewoo Motor's director for business planning and analysis. "By that time a maximum of 1.5m cars will be exported, so there will be a lot of spare capacity."

But Samsung believes that there is a strong case for entering the industry. Kim Suk, a Samsung Group executive director, said the car was the ultimate combination of electronic and mechanical expertise, in both of which the group had built up extensive expertise.

The rising proportion of electronics in modern cars was also an attraction, while half the globe, from eastern Europe to China, was undeveloped as a car market, Mr Kim said.

Samsung, he believed, would not be handicapped by being a late starter into the industry. By focusing on quality from the start, it would avoid the image problems which existing Korean carmakers have been trying to dispel by raising standards of finish and reliability.

Exports: by Emiko Terazono

Trade patterns shift

Alongside a shift to heavy industry, new markets are emerging in Asia and South America

The Korean economy is experiencing growing pains. While the country is enjoying an export boom thanks to the high yen which has hit the Japanese, a change in trading patterns has flushed out structural problems in its export industries.

The decline in competitiveness of its light manufacturing industries has prompted a shift in exports to heavy industrial sectors. This has hurt the country's regions which rely heavily on industries such as footwear, textiles and sports goods. Meanwhile, as exports in the heavy industry sectors have risen, Korea's trade deficit has widened due to its reliance on foreign capital goods such as machinery.

In the first half of this year, Korean exports rose 33.6 per cent from the previous year to $58.4bn, led by cars, semiconductors and petrochemicals. However, the trade deficit rose 88 per cent to $6.9bn as imports climbed 37.8 per cent to $65.3bn with machinery purchases up 51 per cent in the first five months to $7.4bn.

The country faces a dilemma in that the more it exports, the wider the trade deficit will become. Heavy reliance on foreign imports is partly due to the export industries' emphasis on capacity expansion rather than product improvement and research and development.

The government has been urging local business groups to upgrade their products and localise their production of parts and machinery, and has offered tax incentives to encourage Japanese machinery and parts makers to shift production to Korea.

However, such efforts have been piecemeal. "The rest of the economy hasn't caught up with these industries, and there is no cluster of economic activity surrounding them," says Eugene Yun, economist at Schroders in Seoul.

The light manufacturing sectors are also suffering. According to Schroders in Seoul, Korea's exports totalled $96bn in 1994, double that of 1987. While the heavy manufacturing sector, including steel, machinery and electric equipment, jumped 2.4 times to $44bn, accounting for 45.8 per cent of total exports, the light manufacturing sector, which includes textiles, footwear and toys, only rose 13.3 per cent to $18.5bn, accounting for 19.3 per cent of the total, down from 34.5 per cent in 1987.

The shift in focus in exports away from light industries has been a natural outcome of the country's economic development, as better education has produced skilled workers and the rise in costs have eaten into already thin margins of light industrial goods, say economists.

This has hit regions that are reliant on light industries, while the rise in the yen has exacerbated their problems since these industries import machinery and capital goods from Japan. For example, the economy of Pusan, the country's second largest city – "referred to as the 'Mecca of footwear' – has been hit by rising costs and increasing competition from south-east Asia and China.

And while small and medium-sized companies have been largely supported by the country's exceptionally high economic growth over the past few years, this could change because of a slowing of economic growth, say analysts. Bankruptcy rates are expected to rise in the near term once the economy starts to slow.

Meanwhile expectations of further growth of markets in developing countries has prompted a sharp regional shift in exports. While exports to the US, European Union and Japan have risen moderately, the figure for Asia and China has surged.

Between 1987 and 1994, exports to Asia jumped 4.5 times to $25.8bn and exports to China rose 38 times to $8bn, compared to a 12.2 per cent rise to $20.5bn to the US and a 60 per cent rise to $10.6bn to the EU.

Although western and Japanese companies still tend to view developing markets as low-cost manufacturing and export bases, Korean companies are aggressively pushing their products in markets such as south-east Asia, China and South America.

"In the past, emerging markets were not important but we are encouraged now that governments are lifting regulations in various countries," says Lee Myoung-woo, general manager of Samsung Electronics's global marketing group.

Analysts point out that exporting low-end products to developing countries will cushion earnings while the companies try to catch up with the west in terms of product technology. Samsung Electronics this year shifted its export resources from advanced markets to emerging markets, and Daewoo says it is expanding export sales of passenger cars and electronics products to south America, where it had previously not been active.

Developing markets provide greater opportunities for Korean companies since they are less influenced by the brand name images familiar in the west.

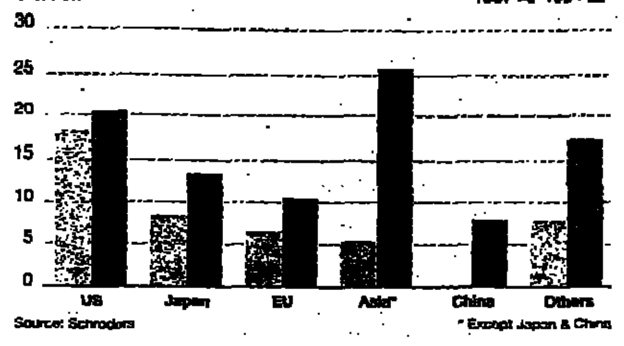
"In Latin America, Japanese brands are not that familiar," says Jon Chong Hwa, analyst at Baring Securities in Seoul. "Our brand image in advanced countries is not good, but in new markets we will be able to position ourselves more positively," says Howard Lee, assistant manager of LG Electronics' strategic planning department.

A cynical view, however, is that the companies are turning to developing markets because of their lack of competitiveness in the advanced markets. There are also concerns that increasing reliance on exporting low-end products to emerging markets could erode the incentive to pursue technology development.

Leading electronics makers deny such views, arguing that giving up on technology and quality development could damage global expansion, especially when the markets of south-east Asia and China are growing at such a rapid pace. Mr Lee at Samsung says the company is pushing ahead with new product development and technologies by setting up research development centres in US and Europe.

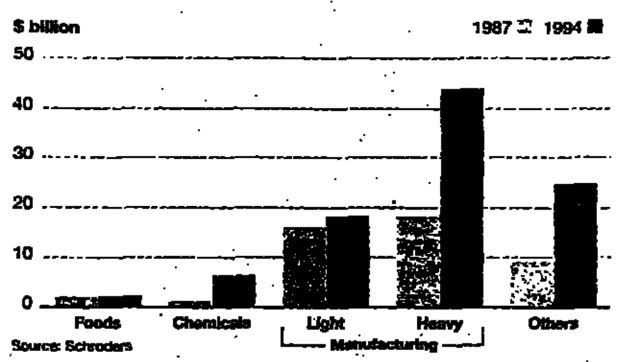
But he acknowledges that the development curve could slow for some companies. "Samsung has reached a satisfactory position in advanced markets, but there are some Korean companies which have not achieved a certain level in advanced countries and are shifting their focus to other markets. It is a risky approach," he says.

Exports by country



Source: Schroders * Except Japan & China

Exports by commodity



Source: Schroders

Beijing billboard: expectations of further growth in developing countries has seen Korean companies aggressively pushing their products in countries such as China *Sousg Lemoine*

Brand recognition: by Emiko Terazono

Calling the consultants

Korean companies are making efforts to raise their profile, especially in overseas markets

Korean companies have caught on to the corporate image game. In an attempt to lift their profile in overseas markets, they are buying up foreign companies and hiring overseas marketing consultants.

The new emphasis on brand recognition in their export markets comes at a time when the companies targetting upscale markets in search of higher profit margins as they lose competitiveness to other south-east Asian companies in low-end products due to rising domestic costs.

DAEWOO

In the past, many Korean companies exported products under their competitors' names under original equipment manufacturer (OEM) agreements. However, to increase their profit margins, they have come to realise the need to sell their products under their own brand name.

For instance, at Daewoo Electronics, which makes consumer electronics and white goods, the ratio between goods made for OEM and branded products has shifted sharply over the past four to five years. The 90 to 10 ratio in favour of OEM sales has changed to 60 for OEM sales and 40 for Daewoo branded products, says Chung Hee-myung, executive director at the company's overseas regional division.

A fast and safe way to overcome the problem of low profit margins has been to acquire foreign household names. Last July, LG Electronics bought a controlling stake in Zenith Electronics of the US, the last US television set manufacturer, for $350m, and Samsung Electronics paid $378m for a 40 per cent stake in AST Research a California-based personal computer maker in February.

However, Korean companies are finding it hard to shrug off the image that their products are down-market, cheap and less developed – a label which Japanese companies also struggled with 20 years ago.

Lee Myoung-woo, general manager of Samsung Electronics' global marketing group, says while the quality of the products has risen, the perceived image of consumers remains low. Although the company has put its name on airport luggage carts all over the world, and is one of the best known Korean brands, it has been hard to overcome the poor image held against Korean products in general.

LG Group

"The perceived value represents what the customer is ready to pay for a product. To increase profits, we need to raise the perceived value to match the real value," says Mr Lee.

According to an image survey conducted for Samsung by Research International of London, consumers' perceived image of the company's products ranked far behind those of Sony, Matsushita and Sharp.

This was despite the fact that the "real value", including consumers' satisfaction of Samsung's warranty policy and prices, was little different from that of Sharp.

"The Korean companies have two sets of overlapping imagery to deal with. That of the company and the country," says Wally Olins, chairman of Wolff Olins, the London based identity consultants.

SAMSUNG

One method the companies are using to tackle the problem is to change their names. For many westerners, names of Korean companies are hard to pronounce, while the use of western words in some corporate names have been baffling.

The Lucky-Goldstar Group, for example, hired Landor, the US consultants, and changed its name to LG Group earlier this year.

But opposition from the founding families, which still exert powerful influence in many of the corporate groups, has hampered many such efforts.

SSangyong, the conglomerate known for its oil refining and car business, was forced to give up such an attempt because of opposition from the founding family. The name, which means twin dragon, derives from an ancient legend of twin dragons trying to ascend to the heavens, with the double S representing the two dragons. It may be a romantic tale, but for foreign consumers, the name remains a little disconcerting.

Other companies are emphasising customer satisfaction. Daewoo has been offering intensive after service for its cars sold in the UK market. LG Electronics is also beefing up its after sales network and improving the monitoring of its consumers.

The image of Korea itself, say analysts, is also a problem. While Koreans' believe that they have become economically successful and are more democratic than previously, "people [overseas] still see Korea as country under authoritarian rule," says Eugene Yun, head of research at Schroders in Seoul. "People are not going to buy products made in a country where on television the night before they saw riot police beating up students," he says.

HYUNDAI

Ultimately, technology and product quality will improve brand name image, says Chang Chun, manager at LG Electronics' strategic planning department. He believes that Korean companies have an edge over other international manufacturers in achieving brand name recognition in developing countries including those in south-east Asia and China.

By the year 2000 the company aims to be the number one established brand in the Asian markets and at least seventh in the US and other developed markets.

Ssangyong: Reliability in a variety of business circles.

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MANAGEMENT

JOHN KAY

More competition, more consolidation

The retail financial services scene is changing rapidly. The last few months have seen the announcement of the merger between Lloyds and TSB, the acquisition of the Cheltenham and Gloucester and National and Provincial Building Societies, and the merger and planned conversion of the Halifax and Leeds.

In the insurance sector, Norwich Union has proposed to demutualise to pursue acquisitions, while smaller companies, such as Provident Mutual and London Life, have decided to throw in the towel. More of all these developments will follow.

Peter Birch, who runs Abbey National, has no doubt of the cause: "Basic economics dictate that only companies which have a dominant market share will survive long term. Here I cite as example, Unilever and Procter & Gamble . . . ".

CHANGE IN MARKET SHARE (%), 1979-86

Leading firm	-2.1
Second firm	-0.1
Third-fifth firm	-0.3

Average of 54 industries
Source: Davies et al, The Dynamics of Market Leadership in the UK Manufacturing Industry 1979-1986

Birch's example does not support his argument. The once dominant Unilever used to sell one packet of detergent in two in Britain. After years of decline, that figure had fallen last year to one in three, and following the Persil Power fiasco may now be as low as one in four. If there is any general lesson from basic economics, it is that dominant firms rarely maintain market share (see table).

Consolidation in financial services will happen, but not for Birch's reasons. Competitive markets drive the weak into the cold, or into the arms of the strong. Where competition is weak, as for decades it was among banks and building societies and between life and general insurers, these tendencies are muted.

Under-performing firms are protected by high prices and gentlemanly restraints on competition. That is why we have too many banks and building societies and too many insurers, many of them inadequately equipped to cope with a competitive world.

In the 1980s, banks fought for market share, building societies stopped getting together to fix interest rates, and the tariff agreement and commissions agreement among insurance companies disappeared. The whole retail financial services sector became much more competitive, and what we are seeing is the working out of that process.

The relevant economic theory is that actions to increase competition usually have the – apparently paradoxical – effect of promoting consolidation. We saw this first after the 1956 Restrictive Practices Act abolished most cartels, and a wave of mergers followed.

We saw it again when Edward Heath outlawed Resale Price Maintenance, and set the stage for the growth of Sainsbury and Tesco. That growth came about not because Sainsbury and Tesco were bigger than their rivals (the Co-op still dominated British food retailing at that time, and on the Birch theory would do so today). Sainsbury and Tesco grew because they were better, and a more competitive market allowed them to profit fully from their superior performance.

The end of the Net Book Agreement will lead to this consolidation in book selling. Not necessarily to the same public benefit, since it is the wide range of book shops, efficient and inefficient, which helps to sell books, and makes browsing a pleasure. But the rule that consolidation follows competition will apply here too, and the industry will focus around bigger claims.

Sometimes – where the cartel has been so strong that it has not only limited competition among established firms but has enabled them to keep new entrants out – fragmentation precedes consolidation. The US airline industry is a classic example.

The initial response to deregulation was a frenzy of expansion and new entry. But the industry became even more concentrated than before. The difference was that the survivors were the efficient rather than the established. Delta, American and United prospered; Eastern and Pan Am failed.

The same will happen in the European airline industry, as competition gathers pace. And in other European industries – like telecommunications and financial services – which, slowly wiping the sleep from their eyes, stumble into a more competitive era. There will ultimately be consolidation, but consolidation around the effective rather than the large.

And – as in the US airline industry – some of the giants of the past who see even greater size and global alliances as the route to the future will not be there to see the future when it comes.

Competitive markets drive the weak into the cold, or into the arms of the strong

The British beer market is going through the same transformation. Increased competition following the Monopolies Commission report led to the seemingly contradictory forces of new entry, and consolidation among the established players particularly in the retail sector.

When all this has settled down, the industry, though less vertically integrated, will probably be more concentrated than before. But market share will be based on a company's effectiveness rather than historic position. That, not the durability of dominance, is the basic economics of industry structure.

The author is chairman of London Economics and visiting professor of economics at the London Business School.

Second home

Alison Smith looks at what UK building societies have learned from expanding into continental Europe

On a single day last week Halifax Building Society, the UK's largest mortgage lender with more than 15m customers and total assets of more than £90bn, doubled the high street presence of its Spanish subsidiary, Banco Halifax Hispania.

The achievement is not as startling as might seem at first sight: it meant that the number of branches in Madrid rose from one to two.

This step forward was typically cautious, but it was also a sign of confidence in an operation set up, as one senior Halifax figure put it, "almost in a moment of boredom".

What allowed Halifax and other UK building societies to expand into continental Europe was a new power in the Building Societies Act 1986. Most UK mortgage lenders were fully occupied with surviving the UK housing recession, but a few saw opportunities to export their British experiences into other housing markets.

This diversification - which is too early to judge a success - has provided some salutary lessons for previously parochial businesses tackling continental European markets.

Even leading protagonists acknowledge the limitations of such a strategy. Michael Spence, head of overseas operations at Halifax, for example, believes there is a significant difference in how readily a mortgage lender can travel compared with a clearing bank. "Banks probably have a natural international connection because they get involved in commercial lending and finance international trade," he says.

Abbey National, now a bank but which began its European expansion when it was a society, holds the distinction of having been first on to the Continent. In 1988 it set up a Spanish subsidiary, in 1989 it set up an Italian subsidiary, and in 1990 it bought Ficofrance, a French mortgage lender. Then came Woolwich, the UK's third largest society, which opened Banca Woolwich SpA in Italy in 1990, and the next year bought a subsidiary of Midland Bank, which became Banque Woolwich. Halifax entered the Spanish market in 1993, and Bradford & Bingley last year set up two linked German subsidiaries.

All these high street lenders have had to adapt considerably from their domestic way of working. It is not simply a question of languages, but also of responding to being in a different position in the market.

From being the giants that set the mortgage prices their competitors must match in the UK – certainly in the case of Halifax and Abbey – they are now learning to operate in an area where they can never achieve such dominance and where only some of their expertise travels. The very brands which win them instant familiarity in the UK may be a hindrance: not only are they unknown but they may also be hard to pronounce.

In some ways different business cultures on the continent have provided an opportunity: simply by replicating UK practice, for instance, UK mortgage lenders have been able offer a better service than local competitors.

"When we went into Italy, Italian banks were probably taking five months to agree a mortgage," says John Berry, European director at Abbey National. "We offered a service within a matter of weeks."

Others say that designing bank branches which look welcoming, and simply staying open all afternoon, can help to differentiate a UK lender from its local competitors.

On the other hand, Berry admits, some British practices – such as a large high street branch network for a mortgage lending business – do not export well.

"Having a high street branch might look nice, but you must question whether you need a huge number of branches. What you need is an office for people to meet and discuss issues, but much of the transaction is about getting the customer to telephone you."

He believes more UK organisations should offer cultural training for continental Europe to cover issues such as business ethics, in the same way as they would for people working in East Asia where there is a much greater realisation that the way of doing business can be different.

Spence acknowledges that some areas of Halifax expertise, such as design of mortgages and retail savings products, have benefited the Spanish subsidiary, but he is clear that the organisation's dominant British position was not an asset.

"The UK name wasn't any help," he says. "We are still in the brand building stage, and there is a high correlation between the level of advertising and the level of interest. But it is quite difficult to make an impact."

Without the home ground advantage of possessing a well-known brand, UK mortgage lenders have to rely much more on word-of-mouth recommendations from customers satisfied with their prices or services. Building the business is slow work.

A further challenge for those running overseas operations is countering the inevitable scepticism of managers back at head office.

This is not easy. For all these lenders the continental subsidiaries so far have predominantly been about costs and losses, with any profits so far on a small scale. "The numbers for Spain look very good in pesetas," was the damning comment of one Halifax executive.

"If you have problems overseas, they can have a disproportionate impact on what you're doing. You are much more exposed," says Berry.

David Small, head of Woolwich Europe, says that part of his job is to act as an "umbrella", or almost a buffer zone, between the main organisation and the overseas businesses.

"We have to manage the culture gap," he says. "Our job is to make sure our French business doesn't do anything silly, such as going off into unsecured lending."

Others emphasise that the learning process is for those in the main UK business as well as those in the overseas subsidiaries.

With a single European savings and home loans market still some years away, Spence is cautious about the benefits that may arise in Spain from Halifax having been there for a while. But he is more definite about the advantage in terms of the management of the organisation.

"This shows us that it is possible to operate with different legislation and regulations, and in a different language. That's a first time for the society, and it's a big leap forward to demonstrate that this can be carried out," he says.

Judging by progress so far, it is a big leap forward best achieved by small steps.

Moving to Europe

Abbey National
1988: Abbey National Bank SAE established in Spain
1989: Abbey National Bank established in Italy
1990: Abbey National entered French market with acquisition of Ficofrance, a French mortgage lender based in Cambrai

Woolwich
1990: Woolwich SpA, now Banca Woolwich opened in Italy
1991: Banque Woolwich was created in France with the acquisition of Fonds de Commerce of Banque Immobilière de Crédit

Bradford & Bingley
1994: Two German operations - B&B Bausparkasse in Europe and Europaische Marketing und Finanzmanagement opened for business

Halifax
1993: Banco Halifax Hispania opened for business in Spain

BUSINESSES FOR SALE

CONTRACTS & TENDERS

APPOINTMENTS

LEGAL NOTICES

In the High Court of Justice No 006209 of 1995
Chancery Division
Companies Court

IN THE MATTER OF
SERCO SYSTEMS LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 5th day of October 1995 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share premium account of the above named company from £3,500,000 to £197,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday, 1st November 1995.

Any creditor or shareholder of the said company desiring to oppose the making of the Order for the confirmation of the reduction of the share premium account should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the under mentioned solicitors on payment of the requisite charge for the same.

Dated this 17th Day of October 1995
Nabarro Nathanson
50 Stratton Street, London W1X 6NX
Ref: FA/AOC/S2832/5
Tel: 0171 493 9933
Solicitors for the Petitioner

ARTS

Zurich tunes up for the future

Andrew Clark talks to the new artistic director of the Tonhalle Orchestra, David Zinman

When David Zinman, the new artistic director of Zurich's Tonhalle Orchestra, had a get-together with wealthy patrons at the start of the season, one woman volunteered an oblique analysis of his prospects. "You have plenty of ideas, Mr Zinman," she said, "but we're Swiss." Her remark sums up the mood of scepticism facing Zinman as he tries to brighten the orchestra's image and re-establish its international reputation. The Tonhalle's traditional supporters do not want change – certainly not from a foreigner. The orchestra has served Zurich adequately for more than a century. Why upset things now?

In his inaugural concert last week, Zinman offered the best possible riposte. He conducted a disciplined, buoyant account of Mahler's Third Symphony. The musical effects sounded precisely sculpted but not over-calculated. There were no surface histrionics. Here was an interpretation of depth and integrity, in the serene, humanistic vein of Bruno Walter. Zinman built on the orchestra's strengths, and the musicians responded with warmth and eloquence.

Such a performance would sit well on any of the world's major concert platforms. But the Tonhalle is barely known outside Switzerland. For the past 20 years it has run through a succession of chief conductors, none of whom stayed long enough to make an impression. The repertoire was unadventurous, standards varied widely. Compared with other cultural cities in Europe, Zurich's orchestral horizons have been provincial.

And yet the Tonhalle has a proud Germanic tradition, stretching back to Wagner's stay in Zurich in the 1850s, and nurtured in the postwar era by such luminaries as Hans Rosbaud and Rudolf Kempe. It has a beautifully decorated shoe-box hall, inaugurated by Brahms 100 years ago. Today, the musicians' pay and working conditions are among the best.

Zinman – the first American to take charge of a Swiss orchestra – believes the Tonhalle has untapped potential, and that the centenary of its concert hall is an opportune moment to start afresh. Before his arrival, he ousted the Tonhalle's long-serving manager, Richard Bächi, and brought in Trygve Nordwall from the Swedish Radio Symphony Orchestra. He restructured the administration so that he and Nordwall would decide policy and programmes – replacing the old committee-style approach. He told Zurich's amateur choirs they were not good enough, and that the orchestra would import professional choruses where necessary. Zinman also demanded guarantees that the orchestra would make tours and recordings.

Although Zinman's tactics offended local sensibilities, they demonstrated the kind of firm leadership the Tonhalle has been missing. Zinman has reduced the number of guest conductors – the orchestra had no fewer than 90 over the past six years – and placed the emphasis on quality: Kurt Sanderling, Wolfgang Sawallisch and Herbert Blomstedt will visit this season. He is also introducing conductors with a name for historically-aware performance. Some of the Tonhalle's stuffiness is beginning to disappear, but there is a long way to go. "It's hard to get any *animo* around here", says Zinman.

It is precisely this desire to liven things up which arouses local suspicions. The orchestra itself may not be identifiably Swiss – more than half the musicians are of foreign origin – but most of its subscribers are. They like a predictable diet of Romantic classics. They do not want extremes of programming, or American-style marketing and presentation. Local music critics share this view. They see Zinman's appointment as an experiment, the success of which will depend on whether he can bridge the cultural divide and provide stability.

Zinman says he has not come to proselytise or lecture. "My job is to bring out something in the orchestra that is already there, to be its musical conscience, to insist on standards and inspire the players. We will work on fundamentals – good rhythm, good intonation, good ensemble and an optimistic approach to life. I want to take advantage of what the Tonhalle does well – composers like Bruckner, who are part of the orchestra's tradition and suit the acoustic of its hall. What we need now is music that the hall does not disguise – Stravinsky, Bartók, Haydn – so that the orchestra becomes a more flexible instrument. It's going to take hard work and time."

On that score, Zinman has a good track record. A former pupil of Pierre Monteux, he steadily built up a reputation as an orchestral trainer and first-rate accompanist. After some early successes in the Netherlands, he established himself in the US, where he has been music director of the Baltimore Symphony Orchestra since 1984. As a guest conductor he is well liked by orchestras in continental Europe. He is versatile, with a natural command of Beethoven and Brahms, and an open-minded approach to modern music: his programmes this season include Boulez, Maderna, Górecki and Pärt.

Now 59, Zinman has reached the age when conductors start to benefit from their experience. That he enjoys the support of the musicians is not in doubt. The real test of his policies will be the level of support he receives over the next three years from the Tonhalle's regular public. Around 8000 people – an astonishing number for a small city such as Zurich – buy subscriptions for Tonhalle concerts each season, giving the orchestra up to 30 per cent of its SFr21m (£11.35m) budget before a note is played.

Zinman will conduct 40 concerts a year in Zurich. In the 1996-7 season there will be a European tour, followed by a visit to the US. Contracts with recording companies – to whom Zinman is no stranger – are being negotiated. Zinman recognises that "for a while there will be subtle counterpressure" to the presence of a non-Swiss management team. "But the orchestra wanted change, and the only time to do it is when a new conductor comes in. If we can prove ourselves, we will win."

David Zinman conducts centenary concerts in the Zurich Tonhalle tonight, tomorrow and Sunday. The programme – Brahms's "Triumphlied" and Beethoven's Choral Symphony – is the same as at the hall's inauguration in October 1895, when Brahms was honorary guest.

No sexual chemistry: James Wilby and Diana Hardcastle in the RSC's production of John Osborne's 'A Patriot for Me' Alastair Muir

Theatre/**Alastair Macaulay**

A patriot in search of officer talent

That John Osborne's plays were important to their place (England) and time (the last several decades) is undisputed. That they have a place in international repertory, or in English repertory in this new post-Osborne era, has yet to be shown. The Royal Shakespeare Company's new production of *A Patriot for Me*, which was new 30 years ago, should have been perfectly timed for many reasons. This is London's first big Osborne production since Osborne's death; this is the first revival of this large-scale play for many years; and this play, Osborne's major treatment of homosexuality, thus connects interestingly to the posthumous reports, much discussed earlier this year, of a gay skeleton in Osborne's closet.

Onstage, however, everything must hang on the central role of Alfred Redl. To his manner and character a hundred clues abound in the text. A Galician of undistinguished family who rises entirely through merit through the Austrian army in the era of the Emperor Franz Josef, he is "upright, discreet, frank and open"; "friendly but unassertive, dignified but strikes everyone as the type of a gentleman and distinguished officer of the Royal and Imperial Army"; he is both industrious and popular; he sometimes seems snobbish, and is "like a true aristocrat".

At first, he does much to repress his own homosexuality; later, however, as he grows more extravagant and less discreet, he is blackmailed into becoming a well-paid secret agent for the Russians; finally, he is unmasked. And the play becomes, among other things, a study in isolation. Spiritually, Redl declines and falls even as, publicly, he rises and flies. According to Robert Stephens, as quoted in Osborne's autobiography, Laurence Olivier said he would have given up the National Theatre to play the part, had he been 20 years younger. I wish very much that I had seen Alan Bates's performance in the 1983 Chichester revival; or indeed Maximilian Schell's in the original.

But Redl this time is James Wilby, who is out of his depth in so challenging a role. Though his performance lacks any of the exaggerations that have marred some of his other recent interpretations, he has not the warmth or openness or stylish authority that other characters ascribe to him. Callow, guarded, tense, he inspires no sympathy and generates no sexual chemistry with any of his several onstage partners. Large parts of the play become reduced to a tepid account of bottled-up English upper-middle-class repression. Officer-class quality is absent; and so is the strange stuff of which both spies and traitors are made.

This error of casting apart, Peter Gill's slow staging – lasting four hours (two intervals) – makes us only too well aware of every unnecessary line in Osborne's writing. Diana Hardcastle, as the Countess who comes closest to heterosexual love and understanding with Redl, works so hard to inject emotional urgency into their scenes together that she seems an overwrought harridan. Clive Wood does nice work as Colonel Mischa Oblensky. As for Dennis Quilley, impeccably suave as Baron von Epp and Queen Alexandra at his own drag ball, he is so perfectly in command of things that he convinces half the audience that his naughtiest line ("Now her earring's fallen off, you've excited her so!") is actually an ad-lib.

As the play demands, the cast of 40 includes a great many pretty young men: few of whom make much impression when they open their mouths. Several experienced actors let their scenes fall into the lugubrious pace of the evening as a whole.

Thirty years ago, Osborne encountered major censorship problems with this play; but that was then. It may well be that he was writing with Guy Burgess *et al* in mind; and, as you watch this production, you are easily reminded of such subsequent plays as *Another Country*, *An Englishman Abroad*, and *A Question of Attribution*. I suspect that *A Patriot for Me* may be a finer play than any of those. Little about this weary and uncentred production, however, helps us to find out.

In RSC repertory at the Barbican Centre, London.

Ballet/**Clement Crisp**

Congratulations, 'Cinderella'

At the age of 23, Matthew Hart has done a great deal. He is an engaging soloist with the Royal Ballet, but rather more significantly in these lean days for classical choreography, he has shown a talent for making ballets. It is a sad fact that, apart from David Bintley and Michael Corder, we have no dance-creators able to produce sound and well-reasoned movement in the academic tradition.

Matthew Hart declared himself as a creator when still a student – I recall a fragment to Bach music of lively talent – and he has suffered somewhat for that fact. He was pitchforked on to the Covent Garden stage to make a ballet when far too young and inexperienced for that arena, and he needs the sort of nurturing which should be the function of a second Royal troupe. Cranko, MacMillan, Bintley, Corder, all tried and proved their gifts in this fashion with the Sadler's Wells ensemble. But Hart's abilities are real, and London City Ballet has now provided him with both a huge challenge and the proper surroundings to try his wings.

The test piece is Prokofiev's *Cinderella*, no less. The wall-of-death conditions are not merely the fact of coping with a three-act score, but the looming presence of Ashton's glorious version, in which Hart has danced. LCB offers him a medium-sized and eager troupe, modest means and a decent distance from the tensions and sniffiness of Covent Garden. The result, at Woking's admirable New Victoria Theatre, is a success.

It is not an all-out triumph – Hart is too young for that – but the choreography proves that he can make dances, that he can manoeuvre dancers about the stage with more than simple skill, and that his response to music is natural, sensitive. He makes us forget and not regret, save momentarily, the Ashton version.

His chief problem is Cinderella's family. The Ugly Sisters and the Step-mother are bores – though mercifully taken by women – and the poor drudge is given a tipsy old pater, which surely over-gilds her tragic lily. Some dramatic moments are thin: the Fairy Godmother is vapid, and Cinders' departure for the ball is no blaze but a mere 40 watt glimmer. But in making ensemble dances to those ravishing waltzes, Hart is ingenious, artful in combining dramatic incident with dance pattern, and clever in deploying LCB less than grandiose numbers.

This *Cinderella* is pleasing. Innovation – Buttons as a lively confidant who turns into a grasshopper; a well-reasoned duet as ending to the ballet – are successful. The decor is pretty; the story is properly told; the dances sit surely on the score. Performances that I saw were neat if not gaudy, with Tracey Newham Alvey as the heroine, Michael Nunn (a guest from Covent Garden) as her prince. The dancing which I most enjoyed came from Clair Thomas as the Summer Fairy, with melting Lynn Seymour arms and beautifully exact legs and feet (Seymour again): a treasure. The score, in a skilled reduction by Daryl Griffith, sounded very well under David Coleman. To Matthew Hart and LCB, congratulations. And thanks to sponsors ADT.

First-time author scoops prize

A harrowing autobiographical account of a British serviceman's experiences as a prisoner-of-war and his subsequent reconciliation with one of his Japanese torturers has won the 1995 Esquire/Apple/Waterstone's Non-Fiction Award. *The Railway Man* (Jonathan Cape £15.99, 276 pages), is by first-time author Eric Lomax, a former industrial relations consultant. He received a £10,000 cash prize and £5,000 worth of computer equipment at a ceremony in London last night.

Concert

Russian sounds

In the Barbican's Great Orchestras of the World series, leading bands come and go but one thing remains constant: the Barbican Hall's acoustic. Probably not since the St Petersburg Philharmonic last played at the Barbican has an orchestra's string section sounded so characterful in this hall as it did earlier this week. Indeed, except that the brass have now dispensed with their old-fashioned Russian wobble, in Tchaikovsky's Fourth Symphony the orchestra sounded remarkably unchanged from the time of Mravinsky's classic recording of the piece made in the 1950s.

More than most orchestral players, these display an obvious love for their music; they listen attentively to their fellow musicians. There was not a hint of the demoralisation that trawling the west for hard currency with endless repeats of standard programmes must bring. The orchestra's sometimes wayward chief, Yury Termikanov, had reined in his exaggerated Petrushka mannerisms, and concentrated on delivering performances of newly-inspiring depth.

Doubts about whether audiences really needed another cycle of Tchaikovsky symphonies were soon dispelled. Even though all six of the numbered works are familiar, presenting them in close succession underlined Tchaikovsky's achievement as a symphonist, and coupling them in early-late pairs revealed something of the development of this very great composer, one who has been denied intellectual respectability simply because his music has such wide appeal.

Termikanov made the strongest cases for the early, underrated symphonies. Nothing else in Sunday's and Tuesday's concerts quite matched his way with the First, which came across with exhilarating vigour and lyrical flexibility. He shaped the "Little Russian" (Ukrainian) folk-tunes in the Second winningly, but obtained less precision of ensemble here. He brought high drama, perhaps a little too much, to the Fourth, but it was the finale of the Fifth, taken at breakneck speed, that gave scope for the orchestra's dashing virtuosity. Not that it was superficial: the despair of the symphony's opening has rarely sounded so naked.

John Allison

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

GALLERIES
Rijksmuseum Tel: (020) 673 2121
● The Portrait: drawings, prints and photos spanning some 500 years. Artists include Van Gogh, Rembrandt and Gaugin; to Oct 29
Stedelijk Tel: (020) 573 2911
● 100 Years: three exhibitions to celebrate 100 years of the Stedelijk. On show is art from the Regnault Collection which includes the likes of Kandinsky, Chagall and Chirico plus specially commissioned work for the centenary; to Oct 29
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Moses and Aaron: by Schoenberg. A new production directed by Peter Stein and conducted by Pierre Boulez. Soloists include David Pittman-Jennings as Moses and Chris Merritt as Aaron; 8pm; Oct 20, 23, 25, 28

■ BALTIMORE

CONCERTS
Symphony Hall Tel: (410) 783 8000
● Baltimore Symphony Orchestra: with soprano Harolyn Blackwell, mezzo-soprano Delores Ziegler and tenor Karl Dent. Robert Shaw conducts Barber and Mozart; 8.15pm; Oct 20, 21
OPERA/BALLET
Lyric Opera House Tel: (410) 727 6000
● La Traviata: conducted by Alfredo Silipigni and directed by Frank Corsaro. Cast includes Daniela Longhi/Maria Pellegrini, Nicole Biondi and Steven Rainbolt; 8.15pm; Oct 20, 21, 22 (3pm)

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● *Madame Butterfly*: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani; 7.30pm; Oct 21, 25

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 134 0400
● Radio Symphony Orchestra: Eliahu Inbal conducts Schumann and Mahler; 8pm; Oct 20
● St. Petersburg Philharmonic Orchestra: Yuri Temirkanov conducts Rachmaninov's "Symphony No.2" and selected pieces from Prokofiev's "Romeo and Juliet"; 8pm; Oct 22

■ LONDON

CONCERTS
Queen Elizabeth Hall Tel: (0171) 928 8800
● The Chinese New Tide: with soprano Judith Mok and baritone Shi Kelong. Tan Dun conducts a programme of first generation Chinese composers such as Qu Xiaosong and Chen Qigang; 7.45pm; Oct 22
Royal Festival Hall Tel: (0171) 928 8800
● Guitar Encounters: an evening of guitar, flamenco and Andean music with John Williams, Paco Pena and Inti-Illimani; 7.30pm; Oct 24
● The London Philharmonic: with mezzo-soprano Jennifer Larmore, bass José van Dam and the London Philharmonic Choir. Roger Norrington conducts Berlioz's "The Damnation of Faust"; 7.30pm; Oct 25
OPERA/BALLET
Royal Opera House Tel: (0171) 304 4000
● Tosca: by Puccini. Conducted by Simone Young and directed by Jeremy Sutcliffe. Soloists include Galina Gorchakova, Johan Bohta and Francis Egerton; 7.30pm; Oct 20

■ NEW YORK

CONCERTS
Carnegie Hall Tel: (212) 247 7800
● BBC Symphony Orchestra: with violinist Nadja Salerno-Sonnenberg. Andrew Davis conducts Carter, Glazunov and Brahms; 8pm; Oct 25
● Maurizio Pollini: pianist plays an all-Beethoven programme; 7.30pm; Oct 23
● Pittsburgh Symphony Orchestra: with flutist James Galway. Lorin Maazel conducts Gould, Mercandate, Maazel and Bartok; 8pm; Oct 27
● Pittsburgh Symphony Orchestra: concert performance of Wagner's "Tristan and Isolde" with conducted by Lorin Maazel. Soloists include Carol Yahr, Heinz Kruse amd Falk Struckmann; 8pm; Oct 28
● Symphony Orchestra of Montreal: with pianist Yefim Bronfman. Charles Dutoit conducts Berlioz's "Les Francs-Juges", Saint-Saens' "Piano Concerto No.2", Chausson's "Symphony in B Flat Major" and Ravel's "Spanish Rhapsody"; 8pm; Oct 21
● Symphony Orchestra of Montreal: with pianist Louis Lortie. Charles Dutoit conducts Berlioz's "King Lear, Overture", Beethoven's "Piano Concerto No.4", Martinu's "Symphony No.5" and Enesco's "Romanian Rhapsody"; 3pm; Oct 22

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50 50
● National Orchestra of France: with pianist Andreas Haefliger. Claus-Peter Flor conducts Mozart and Bruckner; 8pm; Oct 21
GALLERIES
Centre Georges Pompidou Tel: (1) 42 77 12 33
● Feminine and Masculine: the sexuality of art. Exhibition exploring sexual identity and its effect on twentieth century artists; to Jan 8
Galerie Schmit Tel: (1) 42 60 36 36
● "La Femme": from Corot to Chagall. 60 paintings dating from 1824-1949 by artists such a Degas, Gaugin, Picasso and Renoir; from Oct 24 to Feb 28

■ STUTTGART

OPERA/BALLET
Staatstheater Tel: (0711) 2 03 20
● La Damnation de Faust: by Berlioz. Conducted by Gabriele Ferro and directed by Luciano Damiani. Soloists include Marilyn Schmiege, Keith Lewis and Ludwig Baumann; 7pm; Oct 29

■ VIENNA

CONCERTS
Gesellschaft der Musikfreunde Tel: (1) 505 1363
● Czech Philharmonic: with soprano Angela Maria Blasi and bass-baritone Thomas Quasthoff. Gerd Albrecht conducts Eben, Mahler and Dvořák; 7.30pm; Oct 28, 29
● Viennese Symphony Orchestra: Rafael Frühbeck de Burgos conducts Wagner, Brahms and Beethoven; 7.30pm; Oct 21, 22

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● BBC Symphony Orchestra: with violinist Nadja Salerno-Sonnenberg. Andrew Davis conducts Delius, Glazunov, Carter and Bartók; 2pm; Oct 22
● National Symphony Orchestra: with pianist James Tocco. George Manahan conducts Debussy's "Iberia", Stravinsky's "Concerto for Piano and Wind Instruments" and Rachmaninov's "Symphonic Dances"; 8.30pm; Oct 20, 21, 24
● National Symphony Orchestra: Sir Neville Marriner conducts Bartók, Mozart, Nelson and Beethoven; 8.30pm; Oct 26, 27, 28
● Pittsburgh Symphony Orchestra: with violinist Hilary Hahn. Lorin Maazel conducts Mendelssohn and Bartók; 8pm; Oct 25
GALLERIES
Hirschhorn Museum Tel: (202) 357 2700
● Directions-Martin Kippenberger: works on paper. Approximately 50 satirical drawings on hotel stationary by the German artist along with some of his collages and drawings on paper; to Oct 22
National Gallery Tel: (202) 737 4215
● Winslow Homer: more than 225 works including 86 oils by the American artist; 8pm; to Jan 28
OPERA/BALLET
Kennedy Center Tel: (202) 467 4600
● Suzanne Farrel Staged Balanchine: an evening of George Balanchine choreographed pieces performed by an ensemble of dancers from companies such as the Paris Ballet, the American Ballet Theatre and the New York City Ballet. The programme includes "Chaconne", "Slaughter on 10th Avenue" and "Tzigane"; 8pm; Oct 20, 21, 22 (2pm)
THEATRE
Ford's Theater Tel: (202) 347 4833
● Elmer Gantry: Michael Maggio directs this revival of the Pulitzer Prize winning novel by Sinclair Lewis with libretto by John Bishop and music by Mel Marvin; 7.30pm; to Oct 29
Kennedy Center Tel: (202) 467 4600
● Master Class: by Terrance McNally. Zoe Caldwell stars as Maria Callas, reliving her triumphs and tragedies as she coaches a trio of young singers; to Oct 22
Shakespeare Tel: (202) 393 2700
● Macbeth: by William Shakespeare, directed by Joe Dowling. Cast includes Stacy Keach; 7.30pm; to Oct 21

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Financial Times Business Tonight

THE FT INTERVIEW: David Trimble

Megaphone diplomat

Negotiation by a nod and a wink has given way to megaphone diplomacy. In David Trimble, the new leader of the Ulster Unionist party, the nationalists of Ireland may finally have met their match. Sometimes irascible, at times charming, invariably forceful, Mr Trimble has served notice that he will take the message of a United Kingdom, whole and inviolable, to whoever will listen.

"I don't want to sound grandiloquent or vainglorious," he says. "But while John Major might be a pushover, we're not."

It is only six weeks since his surprise election, but he is preparing for a visit to Washington in 10 days to badger those who see Mr Gerry Adams, the Sinn Féin president, as a bold Irish democrat. He has already broken an old taboo by travelling south and shaking hands with the Irish prime minister on the steps of government buildings in Dublin.

It is a far cry from the unionism of Mr James Molyneaux, his predecessor whose leadership of the UUP began in 1979, the year Baroness Thatcher became prime minister. Mr Molyneaux thought he had the ear of successive Conservative governments. He believed the unionist cause was best prosecuted through his easy access to Downing Street.

Last February's Anglo-Irish framework document changed that. More outspoken unionists such as Mr Trimble accused the government of treachery – and of pulling the wool over the eyes of the ever-willing Mr Molyneaux, whose position became untenable.

The problem for unionists hitherto has been that, apart from supporting broad efforts to secure peace in Northern Ireland, they have had little positive to offer. Policy was dictated by reaction to the latest initiative from London, Dublin, Sinn Féin or the more moderate nationalist Social Democratic and Labour party. They appeared ill at ease on television.

Mr Trimble can now hardly be kept off the airwaves – and he is getting better at it all the time. Before his election, he stormed out of a TV studio on being told that he would be sparring with Mr Martin McGuinness, number two in Sinn Féin. Ms Mo Mowlam, shadow Northern Ireland secretary, who was in the television station at the time, took Mr Trimble aside and told him to "get real".

Trimble: determined to present a positive agenda *Trevor Humphries*

Mr Trimble is determined to present a positive agenda. He is pushing hard for a Northern Ireland assembly: if Sinn Féin were elected to such a body, he would talk to it. Part of the reason unionists have been so double-crossed, he believes, stems from direct rule which has left them without a directly elected forum for the province.

But events have had a habit of dragging him along. He was forced on to the defensive on Tuesday when Sir Patrick Mayhew, Northern Ireland secretary, suggested the government could conceivably drop its insistence that the IRA hand over some arms before Sinn Féin was allowed to join all-party talks. Mr Trimble fervently opposes any watering down of the conditions for all-party talks.

To add insult to injury, Sir Patrick made his statement in a conference chamber in Belfast which he announced had been prepared for all-party talks.

"They said preliminary talks would be about housekeeping matters. So how can they decide about delegations' rooms before anyone's agreed to join these talks?" says Mr Trimble. "This is typical Stormont castle [headquarters of the Northern Ireland office]. It never thinks of consulting people. It just goes gaily ahead. It's part of the mental degradation we have suffered as a result of direct rule."

The conspiracy theories do not stop there. According to Mr Trimble, many of the difficulties the peace process has run into have stemmed from the office of Mr Dick Spring, the Irish foreign minister. That view is shared by many in Whitehall who blame Mr Spring and Mr John Hume, the SDLP leader, for the cancellation of last month's summit between Mr John Major and Mr John Bruton, the Irish prime minister, after veiled threats from Sinn Féin of a return to violence.

Mr Trimble believes the Spring agenda is to blur the distinction between preliminary talks, which the Ulster Unionists are prepared to join, and all-party talks on a final settlement for the province, which they will not enter until Sinn Féin meets the conditions for decommissioning arms. He sees the Anglo-Irish "twin-track" approach, in which the arms issue would be dealt with by a US-led commission as preliminary talks get underway, as riddled with traps for the unionists.

"The British say they are sticking by the conditions. What worries me is that they may subsequently succumb to pressure," says Mr Trimble.

Mr Trimble deploys his barrister's skills to anticipate his foe's next move. He believes one of Sinn Féin's tactics is to have him portrayed as an extremist – as, for example, over the 48-hour stand-off during the summer when the police attempted to stop Protestant Orangemen under his leadership marching through a Catholic estate near Portadown. Many unionists say his role in Portadown secured his victory in the leadership election.

"I couldn't avoid it," he says. "It was in my constituency. Sinn Féin are trying to organise disturbances in towns in my constituency in the hope of embarrassing me."

Mr Trimble has made clear he will talk to anyone – short of Sinn Féin – about anything. He is prepared to demonstrate flexibility in the day-to-day manoeuvrings. But any government that pushes him too far will pay the price. The unionists withdrew support from Mr Major's administration when the Anglo-Irish framework document was published setting out the programme for negotiations.

"We said we'd have to withdraw support on matters of confidence because the document is anti-unionist," he says. "The government has not yet clearly moved away from the document. We'll need more than that before we revise the judgment we made in February."

He adds: "When it's a matter of a vote of confidence, abstention isn't really an option. We will vote solidly en bloc. It is not right for the government to be neutral as to the existence of the country it governs."

Was he prepared to bring down the government? "Oh yes," he replies enthusiastically. "But it wouldn't be us doing it. It would be parliament." At that he skipped away with a smile, late for an appointment at the television studios.

John Kampfner

A moment of danger

Trafalgar House is struggling to stay afloat, says **David Wighton**

Trafalgar House, a group combining some of the world's best-known names in engineering, construction and shipping, is navigating rough seas.

The owner of the Cunard cruise line, Trafalgar yesterday admitted it is taking on water at an increasing rate, with losses mounting across its main businesses.

It is a measure of the depth of Trafalgar's problems that this admission helped calm the fears which have driven the company's share price down by half in the past two months. But it did little to address the doubts over Trafalgar's prospects for recovery.

"There is no immediate danger of it going under but it cannot keep on losing this sort of money for much longer," according to one analyst.

Although Trafalgar has had serious trading problems for some time, there was until recently little doubt that it would be floated off the rocks eventually. Investors' confidence rested on the presence of Hongkong Land, which bailed Trafalgar out in 1993, injecting more than £300m in return for a 26 per cent stake.

An offshoot of Jardine Matheson, the trading empire run by the Keswick family, Hongkong Land runs the show at Trafalgar; the two companies share a common chairman in Mr Simon Keswick.

Although Hongkong Land's investment in Trafalgar has to date fallen £200m in value, it has ample resources to rescue the company again if need be.

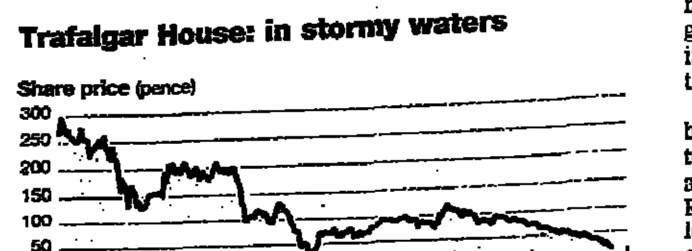
The investment in Trafalgar was an important part of Jardine's strategy of channelling cash out of Hong Kong, and the assumption in the City has been that the group would do whatever was required to turn Trafalgar round.

But the assumption started to be questioned in August when Trafalgar House decided against making a new bid for Northern Electric, one of the 12 regional electricity companies.

Dubbed a "financially challenged conglomerate" by Northern when it launched its first bid last December, Trafalgar pulled its offer when the electricity regulator announced a review of the industry's price controls.

It decided against mounting another offer after the new pricing regime was announced on the grounds that Northern's share price had risen too high.

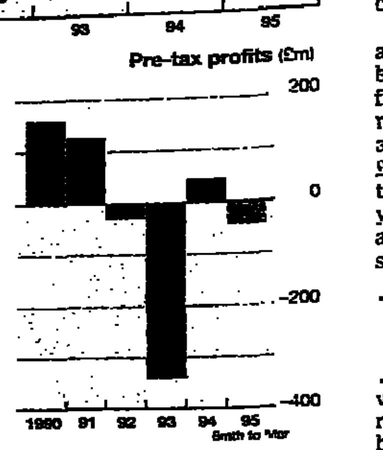
Trafalgar House: in stormy waters



Operating profit (£m)

Half year to March	1994	1995
Engineering	16.4	(27.8)
Construction	5.7	3.0
Residential property	4.5	13.0
Commercial property	0.9	1.5
Hotels	1.7	1.2
Shipping	(0.8)	(14.4)
Other	3.1	3.5
Corporate overheads	(5.9)	(24.5)
Total	25.6	(44.5)

Source: Company and FT Extel



But the City immediately concluded that Hongkong Land had refused to put any more money into the group, causing the shares to resume their downward spiral.

Yesterday brought only modest reassurance as to Hongkong Land's commitment to the group. Hongkong Land made no comment, but Mr Nigel Rich, Trafalgar's chief executive, said: "Hongkong Land has confirmed that it remains a long term investor and is supportive of the actions management is taking."

Although this scotched rumours that Hongkong Land was about to walk away, analysts described the statement as "less than wholehearted".

Some observers were surprised Hongkong Land did not make a more forthright commitment, given the damage that continued uncertainty could have on Trafalgar.

Trafalgar's engineering and construction companies – which include names such as John Brown, Davy, Trollope & Colls and Cementation – work on large, long-term contracts and would find it difficult to pick up new orders if there were serious doubts about the group's survival.

Trafalgar's dependence on such long-term contracts partly explains why Hongkong Land has struggled to get to grips with the business. "You really have to look at every contract to find out whether it is actually profitable or ever likely to be before you can do anything," says an adviser.

One of the most surprising aspects of Hongkong Land's involvement is how long it took to recognise the scope of Trafalgar's problems. By June 1993, Hongkong Land had replaced most of the old board, installing Mr Keswick as chairman and Mr David Gawler as finance director.

But Mr Rich, who arrived in August 1994, argues that his efforts to get a grip on the group's problems were hampered by the lack of a coherent set of management accounts covering the whole group.

This is turn was a legacy of Sir Nigel Broackes, who put the group together during the 1960s and 1970s. Together with Lord (then Victor) Matthews, Sir Nigel bought a wide range of companies including Cunard, the Express newspaper group (which was floated off in 1982) and the Ritz hotel in London (sold earlier this month).

This process culminated in the disastrous acquisition of Davy Corporation in 1991 which, together with the impact of the falling property market, undermined the group's balance sheet just as its engineering and construction businesses turned down.

In the three years to September 1993, Trafalgar recorded total after-tax losses of £532m and a £205m rights issue in February 1993 had to be followed by another £425m cash call at the end of the year.

This restored Trafalgar's balance sheet and the group briefly returned to profit in the first half of last year. But the recovery did not last: in May it announced interim losses of £48.2m and Mr Rich warned that it would be two or three years before the group generated a "satisfactory" return for shareholders.

Its most severe problems are in engineering contracting and the UK construction business, both of which are undergoing another round of rationalisation. This has reduced the workforce by more than 1,500 in the year to September.

Short-term prospects are equally gloomy at Cunard, which has suffered from years of under-investment. It is expected to have lost money last year even before the impact of the refit of its flagship, the QE2, in December which led to a public relations disaster when it set sail with passengers before the work was completed. Following yesterday's statement, some analysts are forecasting losses of almost £180m this year.

But Trafalgar House still has some breathing space because of the relative strength of its balance sheet. The company said that net debt at the end of September was below the interim level of £248m and it is believed that it will not break its banking covenants. This suggests it will still have net assets of more than £500m at the end of the year – a much healthier balance sheet than many other contractors.

Given the growth in infrastructure projects in Asia, where the group is strong, the longer-term prospects for the core engineering and contracting business are brighter. But the group still has to work through its legacy of unprofitable old contracts and, with further outside financial help out of the question, the recovery is likely to be painfully slow.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

No secret that German CDU seeks common EU defence

From Mr Klaus Welle.

Sir, Your report from the Christian Democratic Union (CDU) congress ("Ruhe attacks minister's anti-EU speech", October 17) quotes Mr Graham Mather, a Conservative MEP, as saying he has "evidence" that the German CDU hopes to achieve a common European defence policy based on majority voting.

This is an open secret. It does.

Here is some more information to alarm those enthusiastic about a return to the 19th century: at Madrid between November 5 and 7, the European People's Party (20 parties from 13 EU countries) will debate proposals for the 1996 Inter-governmental Conference.

These include: the integration of the Western European Union into the EU; and joint action in foreign, security, and defence policy to be decided by the Council of Ministers on the basis of "reinforced majorities".

Those who have been impressed by the EU track record in former Yugoslavia will no doubt prefer to stick with the current unanimity rule, which has done so much to ensure paralysis and left the US in effect to take over the handling of the whole debacle.

Klaus Welle,
European's People's Party,
67 Rue d'Arlon,
B-1040 Brussels, Belgium

Convergence criteria accommodate all

From Mr Ian Harden.

Sir, Paul De Grauwe ("An easier road to monetary union", October 17) and Avinash Persaud (Letters, October 18) both assume the Maastricht convergence criteria are targets which economic policies of the governments of all member states should aim to achieve.

An alternative view is to regard the criteria as being just that; ie a standard for determining which member states adopt the single currency when the third stage of Emu begins and which do not.

For some states, it may be realistic to pursue economic policies intended to meet the convergence criteria in the near future. For others it may not. States have different economic circumstances and their governments have different aspirations. The Maastricht convergence criteria can accommodate these. What they cannot do is satisfy those whose aspirations are unrealistic given their circumstances.

Ian Harden,
University of Sheffield,
faculty of law,
Crookesmoor Building,
Sheffield S10 1FL, UK

Sports coverage on TV needs to be protected

From Mr Geoffrey Dean.

Sir, David Elstein (Letters, October 13) asks why should the government intervene to protect BBC coverage of sport. The reason is that the interests of consumers, the viewing public, require it. For real golf fans, Sky's takeover of the Ryder Cup is a disaster, not the benefit claimed by Mr Elstein.

Available from start to finish maybe, but with frequent lengthy interruptions for commercials, abysmal commentary, and camera coverage restricted to a fraction of the course. Presentation of leading sporting events must not be reduced to the level of the lowest common denominator.

Geoffrey Dean,
23 Bolnore Road,
Haywards Heath,
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UK

Time for a stand to be made

From Mr Les Robinson.

Sir, Britain is in a mess about central European time. Has it become a talisman for government independence from Brussels? If so, at what cost in lost contact and inconvenience to companies?

My company is developing cross-border business with northern France, physically as close to Brighton as is Bournemouth. Yet we routinely lose touch with French colleagues for two, three or even four hours a day simply because start, finish and lunch times are offset one hour.

Overlap with the eastern US is simpler and, despite five or six hours difference in time-zone, can be as long as with western Europe (morning in New York equals UK afternoon).

I don't expect this administration to do anything radical but from past experience it can recognise a *fait accompli*, eg Sunday opening in the shops. So I suggest: let all Financial Times readers just decide not to put their clocks back on Saturday night.

Think of the advantages. We'll be first in the office on Monday, trains and roads will be empty, pubs open until midnight! Who knows, we might start a trend.

Les Robinson,
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Brighton BN1 1AF,
UK

No compromise on standards set for nuclear safety in the UK

From Mr John G. Collier.

Sir, I want to demolish the canard that privatisation will have any adverse impact on nuclear safety at Britain's nuclear power stations "Safety warning over nuclear power sell-off", October 18). I write as chairman of Nuclear Electric with more than 40 years' experience in the nuclear industry, much of it directly related to safety.

Over the past five years Nuclear Electric and Scottish Nuclear have both achieved exceptionally high safety standards, while at the same time considerably enhancing their commercial performance. Safety and performance are complementary; they are the hallmark of a quality company.

More importantly, there can be no compromise on safety as a result of privatisation for one prime reason – the Nuclear Installations Inspectorate will continue to regulate the same stations in the same way to the same very high standards. It is worth noting that in their submissions to the government's Nuclear Review, the NII and the Health and Safety Executive said they saw no need to change these arrangements.

Both Nuclear Electric and Scottish Nuclear have an absolute commitment to safety. We have done this by adopting the best management practices in both the safety and commercial fields. Performance targets for safety staff are *not* driven by profit. Their prime targets are demonstrable enhancement of safety as measured by a series of performance indicators given in our published annual health and safety reports.

By any objective standards this has proved successful – all our health and safety indicators (radiation dose to workers, incident statistics, etc) are far improved since both companies' formation in 1990.

Nor is this experience limited to the UK. All the direct evidence from the World Association of Nuclear Operators and from others is that the type of ownership (public or private) has no bearing on the level of safety achieved – indeed, a recent study in the US, where the majority of plants are privately owned, has demonstrated that plants with the best commercial performance also have the higher safety performance.

Nuclear power will not survive if our stations are not operated to the highest levels of safety – but then our staff will not permit anything less.

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Fed-Bank of Japan accord

There cannot be many countries in which a real estate company can sell half its assets at a loss of nearly $2bn and still be left with equity capital of more than $1bn. Japan, where Haseko Corporation reported these figures yesterday, is clearly one of them. The survival capacity of this builder of condominiums, hitherto little known outside Japan, is impressive. Yet the fall of around half in the value of its assets underlines the seriousness of the Japanese property crash for banks exposed to more thinly capitalised borrowers. Nor is the international backwash of Japan's slow-motion banking crisis negligible.

In the aftermath of the collapse of three (relatively) small lenders in the summer, and last month's revelation of losses at Daiwa Bank, the markets are forcing Japanese banks to pay a premium for funds. Repeated assurances that any systemic threat will meet with unlimited injections of liquidity into the system have failed to convince some international lenders. Credit lines have not been uniformly renewed.

The degree of global financial interdependence is now such that few can ignore the potential here for destabilising shocks, least of all the US, where Japanese investors hold a significant proportion of the stock of bonds and equities. There is a fear in the US Treasury and the Federal Reserve that any loss of confidence in a Japanese bank in the US might lead to a crash in the capital markets. A threat to the payments system might also arise.

That would certainly provide justification for the agreement between the Fed and the Bank of Japan whereby the Fed will offer dollar support to Japanese banks in any crisis on its doorstep. A bilateral lender of last resort agreement of this kind is an unusual but logical response to the international spillover from the Japanese financial crisis. Nor is it entirely without parallel.

One obvious precedent for such co-operation is to be found in the heyday of the gold standard between 1880 and 1913. Then, the degree of financial interdependence was also extensive. And when banking crises caused gold to flow out of central banks into private hands, so posing a threat to the free convertibility of domestic currency into gold, central banks sought support from their foreign opposite numbers.

The parallel should not be taken too far. Before 1913 helpful adjustments to monetary policy and shipments of gold by mutually supportive central banks were aimed at preserving the international monetary regime, rather than stabilising banking systems as such. As for the nature of the proposed safety net, the Fed is not charging the Bank of Japan the penalty rate advocated by Walter Bagehot in his classic prescription for the lender of last resort in *Lombard Street*. Any loans are expected to be short term, at market rates, backed by the collateral of the Bank of Japan's holdings of US Treasury bonds. This makes the criticism expressed this week by senate banking committee chairman Mr Alfonse D'Amato look ill-judged, if predictable.

Whether the Fed's worries are well founded remains to be seen. With a financial meltdown in Japan, the yen would weaken against the dollar. In an international flight to quality the US capital markets and a recapitalised banking system would look an attractive safe haven. But there is still everything to be said for the Fed taking out insurance against trouble. This accord serves the interests of both the US and the wider financial community.

Real shadows

Thanks to the peculiarities of Labour party rules, a sizeable part of the next British cabinet may have been appointed yesterday. After an election among Labour MPs that produced more surprises than comfortable for Mr Tony Blair, the Labour leader had to conduct more than a token reshuffle of his front bench team. The result, like the curate's egg, is good only in parts.

The most important shadows – chancellor Gordon Brown, foreign secretary Robin Cook and home secretary Jack Straw – remain untouched and form a credible, if not always cohesive, team. Otherwise, Mr Blair has had to make the best of the hand dealt him.

The biggest move – that of Mr Donald Dewar to chief whip – was not unexpected but still slightly odd. Mr Dewar is one of Labour's more able parliamentary performers, and has spent the past year grappling with that most sensitive of policy areas, pensions. Against that, the leadership must have calculated that his tactical skills will be needed, if Labour wins the next election, for what promises to be a legislation-packed first year.

None of the other job shifts is an obviously retrograde step. Mr Blair still has a problem, however, in the overall thinness of talent on his team. Mr Michael Meacher at employment and Ms Harriet Harman, now at health, are among the weaker shadows. With exceptions such as Mr Alistair Darling and Mr Brian Wilson, Labour's junior ranks are not exactly bursting with stars either.

Mr Blair could, of course, tear up the rule dictating that he appoint his ministers from the elected shadow team. It seems he has decided, for now, that the benefits of giving himself a free choice are outweighed by the row it would cause. He may be right, but it is a safe bet that the first reshuffle of a Labour government would not be long in coming.

UK Budget

Mr Kenneth Clarke, the chancellor, has promised a Budget "based on traditional Tory values". For many that implies a Budget to boost the family. This notion has something to recommend it – provided Mr Clarke aims his support at families' incomes, and not, as many Conservatives suggest, their structure.

Party activists argue that the government's move towards taxing married people as individuals, rather than as members of a unit, has hastened the collapse of the traditional family and encouraged other arrangements of more doubtful benefit to children. They would like to see Mr Clarke start to redress the balance, for example by raising the married couple's allowance, which has been steadily lowered since 1990.

Although the MCA provides a modest incentive to marriage, the tax system overall is now slightly biased against the traditional married couple – in which only one partner goes out to work – as compared to two-earner couples or single parents. But such fiscal incentives are dwarfed by the broader social trends contributing to the decline of the family.

As the critics point out, the government should not be in the business of discouraging traditional families. Yet when the government started to move towards independent taxation in the 1988 Budget, it was choosing a tax system that would be neutral towards family circumstances. A gimmicky attempt to boost marriage in this Budget would be a striking *volte face*, even for a chancellor relatively unconcerned with fiscal niceties.

It would also be counter-productive. As the Institute for Fiscal Studies argues, independent taxation does not mean that the government must be indifferent to the financial burden of raising children, only that it must address this issue through benefit, rather than tax, changes. It suggests that he would do better to abolish the allowance altogether, and use the proceeds to increase child benefit.

As well as improving the consistency of the tax system, such a change would have the added advantage of boosting the incomes of the poorest families, who do not pay tax. But a small increase in child benefit would clearly do less good for non-working families than other, more targeted measures aimed at getting them into work. Despite the existence of the special in-work benefit, family credit, childcare expenses and other up-front costs still tend to make it especially difficult for people with children to take a job without ending up worse off. The chancellor could recognise this by further raising the childcare costs "disregard" in family credit.

The lag between taking a job and receiving family credit can also be a significant barrier to work. In last year's Budget Mr Clarke pledged to speed up the payment of family credit. But a more feasible way of ensuring no-one suffers even a temporary loss of income from taking work would be to institute a guaranteed short overlapping payment of income support, available to all those out of work longer than six months.

The downside of such proposals, to some eyes, would be that, by encouraging single parents to go out to work, they would help make single parenthood more financially viable. Yet relative poverty and dependency on the state pose much graver threats to children's welfare than a shortage of parents. Two other Tory values – self reliance, and the long-term reduction of welfare spending – would be well-served by a Budget that took this into account.

Windows95 opens profitable doors

Companies linking progress to Microsoft's operating system are reaping the rewards, says **Louise Kehoe**

After three months of stockmarket decline, the shares of leading US semiconductor, computer, software and computer peripheral manufacturers have surged this week.

The main cause of renewed enthusiasm for high technology companies is the success of Windows95, Microsoft's new personal computer operating system. Sales of 7m copies in the seven weeks since it was launched have far exceeded analysts' sales projections and sparked a recovery in much of the sector.

Among companies that have reported their third quarter results this week, those that have linked their fortunes to Windows95 are mostly performing strongly. The losers are companies competing with Windows95 and related products, as well as those that were late to recognise the significance of the Microsoft product.

The biggest winners, not surprisingly, have been Microsoft itself and Intel, the leading supplier of microprocessor chips for the PC industry. These two companies have become a dominant force in the industry, setting the pace of technology advance and influencing the rate of market growth.

Microsoft's results for the three months to September 30 were above even the most optimistic Wall Street projections. Net earnings were up 58 per cent on the same quarter last year at $499m and revenues 62 per cent higher at $2.02bn.

The company says much of the growth was directly attributable to Windows95. It contributed just over $800m to revenues for the quarter, with an additional $130m to be held over as part of a previously announced plan to "smooth" earnings on the new product over the next few quarters.

Defying pessimists who warned that sales would drop off sharply after the publicity surrounding the launch subsided, Microsoft had sold some 3m copies of Windows95 over the counter by the end of last week. A further 4m have been sold by makers of personal computers who install it directly on their machines. Almost all PCs aimed at the consumer market are now being shipped with the operating system already installed, says Mr Brad Chase, general manager of personal systems marketing at Microsoft. He estimates that 10 to 30 per cent of new PCs sold in the corporate market are also running Windows95.

Investors' concerns had earlier been sparked by analysts' reports that computer stores might be overstocked with millions of copies of the new Microsoft program. Microsoft concedes that there are plenty of copies with retailers, but expects stocks to clear over Christmas. In any case, its sales figures do not include unsold copies. "We wanted to avoid the situation we had experienced with earlier products where there was such demand that resellers were out of stock," says Mr Brad Silverberg, Microsoft senior vice-president in charge of Windows95.

Remarkably, Microsoft also appears to have got Windows95 right first time: the new operating system has proved to be bug-free. The company has cancelled plans for the "maintenance release" it would normally have issued within weeks to fix problems in the original version.

The success of the Windows95 launch is felt beyond Microsoft: the operating system is living up to its promise of driving sales of a range of related products. New programs designed to run under it are selling strongly according to researchers. PC Data, a research firm specialising in the measurement of software retail sales, calculates that Windows95-related products accounted for more than a quarter of US software sales revenue in September.

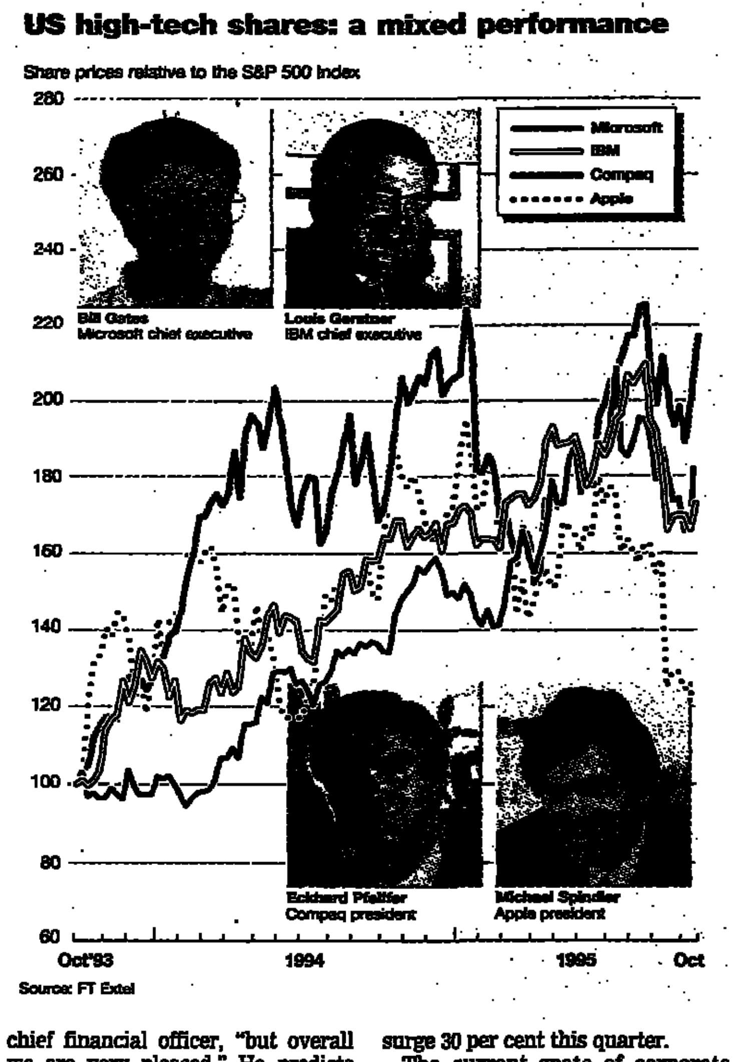
It has also given a boost to sales of personal computers. Compaq Computer, the world market leader, says it is driving sales in north America to new highs. Compaq this week reported record sales of $3.6bn for its third quarter, up 27 per cent from the same period last year. Net income was up 22 per cent to $245m.

"Demand for Windows95-based systems has been better than we originally anticipated," says Mr Beny Alagem, president and chief executive of Packard Bell, the US home computer market leader. The company switched all its products to Windows95 in time for the August launch.

And Dell Computer, which sells most of its PCs direct to corporate users, says demand for Windows95, offered as an option on its PCs, has been high. "We are very pleased with this landmark product," says Mr Michael Dell, chairman and chief executive.

The picture is less clear outside north America. Compaq believes buyers in some other markets are deferring PC purchases until local language versions of the software are available. "It's been a mixed bag," says Mr Daryl White, Compaq chief financial officer, "but overall we are very pleased." He predicts the final quarter will be a "barn burner".

US high-tech shares: a mixed performance



Source: FT Extel

Intel's strong results appear to confirm Compaq's expectations. The chipmaker's net third quarter profits rose 41 per cent on the same period last year to $931m, while revenues were up 46 per cent at $4.2bn.

Intel makes the Pentium microprocessors which are the "brains" of most high performance personal computers, and its sales provide a leading indicator of PC market trends. Dataquest, a market research firm, predicts PC sales will surge 30 per cent this quarter.

The current spate of corporate results also indicates which high-tech companies are not participating in the Windows95 bonanza. They include Novell, which has seen its business applications programs losing market share to Microsoft's Office95, a suite of applications designed to work with the new operating system.

Novell says it expects sales of its application programs to drop to $59m for the three months to October 28, down from $134m in the same period last year. It does not expect to be able to launch a Windows95 version of the programs until early next year.

Apple Computer is also feeling the heat. Its Macintosh computer range has long sold itself on its "ease of use", which required no grasp of the complex instructions often needed to run previous Microsoft operating systems. Windows95 gives standard PCs a similarly user-friendly look.

On Wednesday, Apple reported record revenues for the quarter to September 30 of $3bn, up 20 per cent on last year. But this has been achieved only by aggressive price cutting: net income fell 48 per cent.

Even IBM has felt the impact of Windows95. Until the last moment, it hoped that OS/2 Warp, its own PC operating system, would be a significant competitor to the Microsoft program. IBM was thus the last large PC company to reach a licensing agreement with Microsoft, on the eve of the August Windows95 launch. As a consequence, IBM was late in shipping home computers with the new operating system.

This was perhaps the least of IBM's problems in the third quarter. It suffered a shortage of power supply units that limited sales of mainframe computers, delays in shipping new high capacity data storage systems and sluggish sales in Europe. Revenues were $16.8bn for the quarter to September 30, up 9 per cent on the same quarter last year. The company came in below Wall Street expectations with earnings before charges of $1.3bn, up from $710m in the same period last year. After charges related to the acquisition of Lotus Development, a PC software company, net losses for the quarter were $528m.

Windows95 is not the only factor behind the surge in the US high-tech sector. The popularity of the Internet, the global computer network, is raising demand for communications equipment, Internet service and software companies.

There is also strong growth in corporate computer networking, in which hundreds or even thousands of desktop computer workstations are linked to larger computers throughout an organisation. Sun Microsystems, the leading computer workstation manufacturer, reported revenues of $1.49bn for its first quarter to October 1, up 17 per cent over last year. Net income rose to $84.7m, up 120 per cent.

Some analysts predict that the growing importance of computer networks will eventually undermine Microsoft's dominance of the software industry which is based on PC technology. Yet for the present, Microsoft is king – and Windows95 the standard to which other companies must rally.

Fifty years on, the FT's Lex column continues to sharpen its financial wits, says **Richard Lambert**

An independent voice

Lynx-eyed market researchers have observed a curious fact about the Financial Times: a rather large number of our readers tackle the paper back to front. That is, they hurriedly skim through page one, and then settle down with a frown of concentration to the top right hand corner on the back of section one: the home of the Lex column.

Last night a group of present and former Lex columnists gathered to celebrate 50 years of its publication in the FT. It was an occasion for reflecting on what had changed over the half century, and what had remained constant.

One constant feature has been a spirit of robust, even sometimes arrogant, independence. A crucial moment in the collective memory is of the aluminium wars in 1958-59, one of the great set-piece episodes of the City's postwar history, when British Aluminium was on the wrong side of the first of the big contested takeover bids. The late Arthur Winspear, Lex at the time, came out strongly and successfully against the bulk of the City establishment – a group that happened to include Lazards, in which the FT's new owner Pearson had a significant interest.

In the words of the newspaper's historian, there could hardly have been a more critical test of the FT's independence. The one constraint on the column – very much self-imposed – is that it has never commented directly on the affairs of Pearson, for fear that in an unkind world compliments or brickbats would both be misinterpreted.

Although the character of the column may not have changed, its content has. Up to the late 1970s, it concentrated on UK company affairs. Investment analysts were scarce in the early days, and Lex was among the few to phone the chairman of Imperial Chemical Industries on the day of the results. You wrote down what he said, and everyone thought you were a genius.

But the marketplace moved on. First, City firms hired armies of investment analysts. Lex retained its access to senior corporate figures, but was no longer the only one interested in finding out Unilever's profit margins on margarine in the third quarter.

Then came an enormous growth in debt markets, both domestic and international: the result of government mismanagement and the growing hunger of international borrowers. More recently, inflation and currency instability have brought new markets into existence – futures, options, swaps and so on.

It has to sift through the noise and jumble which swamps the world's computer terminals each day

Lex plainly had to take an interest in all this complicated stuff, especially after the abolition of UK exchange controls in 1979. This led to a rapid build-up in the international holdings of UK investors.

That same year marked the start of the FT's publication in Frankfurt and the development of the international edition, which now accounts for a significant chunk of its overall sales. To cater for these international readers, the column has recently started to appear in two different versions, one for the UK and one for elsewhere. Comments that are left out of the column in either edition are published elsewhere in the paper.

The result of all this is that although UK company affairs remain a central interest of the column, its remit has broadened. And there is no longer even the pretence that the column is written by a single person: the present team numbers five journalists.

And the future? Readers will increasingly have access to electronic information. But the column's two main qualities will, if we get it right, become even more important.

The first is its independence. Over the past decade, financial conglomerates have sucked in large numbers of investment analysts and commentators. Especially at moments of high drama – a takeover bid, or a big flotation – it is hard to find a serious voice in the financial community which does not have some kind of axe to grind.

The second is its judgment. To prosper in a world of real-time information, business newspapers will have to offer at least two important services: editing skills, and content which is exclusive, either because no-one else has the information, or because the analysis and argument are of the highest available quality.

So Lex has two tasks. In a marketplace which is drowning in data, it has to sift through all the noise and jumble which swamps the world's computer terminals each day, and select the four or five business stories, themes, or trends which most of its readers are likely to want to read about.

And it has to offer some kind of insight into these items, which are both relevant and not readily available elsewhere. It is a tall order, but one which should make Lex more rather than less valuable to its readers in the years to come.

However, there are no plans to restore the column to page one of the FT, which is where it lived until the 1960s. So its fans will still have to read the paper back to front.

OBSERVER

Planned by robots

■ With only a couple of months before the start of Italy's six-month presidency of the European Union, EU diplomats in Rome are fretting that the government still hasn't announced a venue for two crucial summits – one launching the inter-governmental conference and the other wrapping up the presidency.

Having already used Rome, Milan and Venice, the IGC summit might be in Florence. The final European Council, meanwhile, could be staged in Turin, home of Fiat. Turin's short-listing has prompted mutterings about favouritism – Susanna Agnelli, sister of Fiat's chairman Gianni, is, after all, Italy's foreign minister.

Prime minister Lamberto Dini's procrastination apparently stems from a wish to minimise the risk of complaints from other Italian regions, who would be deprived of the opportunity to host one of the informal ministerial meetings. "It makes it very difficult for those of us who have to check out hotels and so on," complains one EU diplomat.

No problem in Turin, at least: the government can always call on a certain local carmaker to block-book the city's hotels for the diplomatic corps. It did exactly the same for more than 1,000 journalists at August's launch of its latest model.

Shaken or stirred?

■ It gives us no pleasure to report that the UK's Foreign Office have turned a diplomatic cock-up into a disaster. Observer suggested this week that the Foreign Office's staging a cocktail reception on Tuesday for a Nigerian investment conference sat rather uneasily with its earlier strictures about Nigeria's military regime.

The cocktail party went ahead, but with some problems. Enter the Nigerian delegation, led by high commissioner Alhaji Abubakar Alhaji, KBE, and chief Ernest Shonekan, former head of government, two of the most influential figures in General Sani Abacha's regime, and in the pro-reform camp.

They had been told that a junior minister would be their host. Not so. Their presence warranted no more than the West Africa desk officer – which was taken by the Nigerians as a diplomatic snub.

So having infuriated the Nigerian opposition by holding the party in the first place, the chaps in Whitehall then proceed to irritate the government. Ah well, at least it's even-handed.

Growth industry

■ The People's Committee in Ho Chi Minh, Vietnam's largest city, has considerable clout. It's just produced a somewhat bizarre edict pronouncing a no-smoking week in the city, from next Monday.

All government officials and Communist party members will have to join a campaign to reduce their nicotine intake. Smoking in all sorts of public places will be banned. From the end of the month all advertising for foreign and domestic cigarette brands must be removed from the city precincts. Even outdoor umbrellas with cigarette adverts have to go.

So far the rules apply only to Ho Chi Minh City, but it's more bad news for cigarette manufacturers like the UK's BAT, which opened a multimillion dollar factory in the city last year. Soon after starting production BAT was shocked to find the government releasing hundreds of thousands of cheap impounded smuggled cigarettes onto the market.

Scratch my back

■ Chancellor Helmut Kohl's Christian Democrats might be set again to become Berlin's largest party after next Sunday's elections, but the path has not been entirely smooth.

Eberhard Diepgen, the CDU mayor, for weeks had been plastering anti-communist posters across the city, for all the world as though the cold war lived on. One carried a slogan exhorting voters "don't dare let red/green lice under the skin", a warning against a possible minority coalition of Social Democrats and environmentalists, which in turn would need to be propped up by the Party of Democratic Socialism, the heir to the former communist party.

That kind of sophisticated political wit annoyed even CDU supporters in east Berlin, who told their central HQ the posters were insulting, suggesting as they did that anyone who voted social democratic or green were either communist or had lice. The posters were withdrawn, but have left a nasty itch behind them.

On the wing

■ News that 14 Pakistani footballers from Crescent Textile FC have gone missing in Tokyo, apparently hunting jobs in Japan, may cause wry smiles in Morocco.

In 1992 six members of the Ethiopian national team jumped ship in Rome, en route to a World Cup preliminary fixture in Casablanca. With only six able-bodied Ethiopians on the pitch, the match was eventually abandoned; the side valiantly tried to make do with two goalkeepers and a 40-year-old deputy coach to make up the numbers, but to no avail.

The 14 Pakistanis at least had the good grace to play their match before going absent without leave: they lost 9-1 to top local side Kawasaki Verdy.

Financial Times

50 years ago

Senate votes tax repeal
The Senate Finance Committee has voted by 13 to 3 to repeal the excess profits tax from the end of 1945. The Committee voted to retain the combined corporate, normal and surtax rate at 40 per cent. This reflects the attitude of the Senate, where there is strong sympathy for repeal of the excess profits levy, and contrasts with the action taken recently in the House, which passed a Bill calling for a reduction in excess profits tax to 80 per cent. It is now a question of whether the Senate views will prevail over those of the House, or vice-versa.

I.G.-Farben plant destruction
Orders have been given for the blowing up of three I.G.-Farben munitions plants in Southern Germany, it is announced by the American Office for Military Government in Germany. All equipment not specifically designed for making munitions will be removed from the plants and earmarked for reparations before the plants themselves are blow up by American Army demolition crews.

FINANCIAL TIMES
Friday October 20 1995

Bonn pressing ahead with plan to cut taxes and spending

German savers promised wider investment choice

By Peter Norman in Bonn

Germany intends to give savers a wider choice of investments in its programme to deregulate and strengthen its financial markets, Mr Theo Waigel, finance minister, said yesterday.

In a wide-ranging speech, he also spelled out the government's hopes for lowering taxes before the end of the century.

Meanwhile, Mr Friedrich Bohl, the chief of staff in the chancellery, announced that a government working group was preparing proposals to ease access to risk capital for people wanting to start new companies.

Both statements marked a new determination from the centre-right coalition to encourage investors and businesses following Chancellor Helmut Kohl's call this week for greater risk-taking by entrepreneurs in Germany to combat unemployment.

Mr Waigel told the association of public sector banks in Bonn that his ministry was reviewing a "bundle of measures" that could form part of a law to encourage financial markets.

These included authorisation of "funds of funds" (pooled investment vehicles investing in other funds) and equity funds with fixed maturities; creating a legal framework for closed-end investment funds similar to quoted UK investment trusts; permitting property funds to invest in property companies; allowing investment funds to buy over-the-counter options to hedge positions; and permitting investment funds to invest some liquid assets in money market funds.

Officials say a bill to widen the range of investment opportunities for savers should be ready next year.

At the same time, the government will press ahead with plans to cut spending and taxation. Mr Waigel said its aim was to use money from public spending cuts equally for tax cuts and reductions in the federal deficit. By the end of the decade, he hoped to reduce the amount of tax as a proportion of Germany's gross domestic product by 1½ percentage points. Taxation and social levies now amount to nearly 48 per cent of GDP.

Mr Waigel said he hoped to begin reducing the "solidarity levy", which adds 7.5 per cent to income tax to help support eastern Germany, in 1998. He also said the government wanted to reform income tax leading to lower top tax rates than the present 53 per cent.

Other priorities were further reforms of corporate taxation, inheritance and wealth taxes and changes to the tax system to curb environmental pollution.

The minister said he had discussed plans to abolish the local trading capital tax, a levy companies have to pay to local authorities whether they make profits or not. He will discuss scrapping the tax with states next week. Meanwhile, Mr Bohl told businessmen in Hessen that the government intended to shorten Germany's planning procedures to encourage investment.

One idea was to offer companies a fast-track approval on the understanding they would carry the financial risk of meeting any conditions that might be imposed later.

In Frankfurt, senior investment and stock exchange officials welcomed the proposals.

Theo Waigel: looking to changes in law on financial markets

French taxman asks couples to pay more for living in sin

By Andrew Jack in Paris

The costs, after tax, of living in sin are about to rise in France.

The French government, with an eye on the budget deficit, confirmed yesterday that it would reform the tax code which allows cohabiting couples with children to benefit from higher deductions than those allowed to married couples.

Under existing rules, a taxpayer can claim a deduction for each child for which he or she is responsible. Two unmarried people living together can both claim this deduction, while married couples are unable to double their deductions.

These tax benefits have presented an increasing challenge to fiscal rigour as the number of cohabiting couples has risen steadily in France over the past few decades to an estimated one third of all couples today.

The government's decision followed long-standing lobbying from pro-family organisations, whose views were echoed by centre-right political parties in the National Assembly during the budget debate.

Mr Francois d'Aubert, minister of finance, told French deputies that he wanted to create "equality" between married couples and those who live together out of wedlock, in a change to the budget law.

However, the decision may have less to do with morality than the need to reduce the public sector deficit, which must be cut from its current level of more than 5 per cent of gross domestic product this year to 3 per cent by 1997 to meet the conditions for European monetary union.

Officials estimate the reform could bring in FFr1bn-FFr2bn ($200m-$400m) a year in additional revenue.

In the past, calls for reform to the tax code for those who cohabit have been rejected by successive governments, including that of Mr Edouard Balladur, the previous prime minister from the Gaullist RPR party who lost in his presidential campaign bid earlier this year.

The decision was sharply criticised by opposition members of parliament, who claimed cohabiting couples were faced with disadvantages in other aspects of French law.

One deputy likened the act to "social racism", while another said the government was attempting to become "censor of a certain moral order".

Mr George-Henri Charpentier, a tax lawyer in Paris, stressed yesterday that the tax code had never been designed to encourage unmarried cohabitation, but simply to provide support for single people with children.

Minister defies vote by Senate

Continued from Page 1

Mr Dini is supported by the parties of the centre left. But Reconstructed Communism, formed from the hardline of the old Italian Communist party, have been pressing for an end to the Dini government, composed entirely of non-parliamentarians. If all this party's deputies vote against the government, it might not survive.

President Scalfaro last night conferred for more than two hours with Mr Lamberto Dini, the prime minister, to tackle the 73 year-old justice minister's avowed refusal to leave his portfolio.

Underlining the serious of the situation, President Scalfaro postponed a trip to New York planned for October 23.

Revoking Mr Manscuso's mandate is a disciplinary action without precedent in democratic Italy. But this step cannot be formalised until the view of the constitutional court on the validity of the no-confidence motion is known.

Mr Mancuso's suit, filed with the Constitutional Court early yesterday in advance of the Senate vote, involves interpretations of aspects of the 1946 constitution that have never been questioned.

Members of Mr Silvio Berlusconi's Forza Italia insisted yesterday that the nature of the Dini government had been changed by the motion, brought by the centre left parties and won by 173 votes to 3 against and 8 abstentions. President Scalfaro postponed a trip to New York planned for Monday.

Japanese property

Continued from Page 1

ming from its previously unrealised deficits on property holdings. About Y153bn will come from direct losses of the parent company's own land holdings, and Y37bn from the sale of land at an affiliate.

It was not clear yesterday why the company had taken the decision to act now. But in recent months evidence has grown that the decline in land prices has begun to accelerate again.

Daewoo buys Steyr stake

Continued from Page 1

about Sch3.1bn of the group's Sch10.9bn sales this year and employ 1,900 of its 5,900 staff.

Mr Guido Schmidt-Chiari, Creditanstalt chief executive, said final prices for the transactions had not been set.

Independent auditors would carry out valuations to make sure that the prices paid by the bank for its purchases were fair.

Daewoo would pay no less than the Sch160 per share closing price of Steyr shares on Wednesday for its stake, said Mr Schmidt-Chiari.

No offer is being made to the minority public shareholders, who hold about 26 per cent of Steyr's shares.

However, the group, which returned to profit last year, would pay a dividend on this year's results for the first time since 1991, he said.

Steyr has had a difficult time in the past 15 years. It had to be refinanced in 1985 after large losses and the government's refusal to authorise tank exports, and has shed many of its activities or put them into joint ventures.

THE LEX COLUMN

Haseko's hara-kiri

In a country where consensus is prized, Haseko Corporation's blunt disclosure of a Y185bn ($1.8bn) loss on its property portfolio will cause discomfort. Banks, investors and the Japanese government are all aware that the country's property values are still overstated in corporate balance sheets. But for political reasons and to avoid extra strain on a financial system already weighed down with Y50,000bn of bad debts, it has been convenient to pretend otherwise. Now a second-tier construction company, capitalised at Y150bn, has blown their cover.

Like many companies, Haseko moved heavily into property development during the bubble years of the 1980s. Yesterday the company wrote down a large chunk of this portfolio by more than 50 per cent.

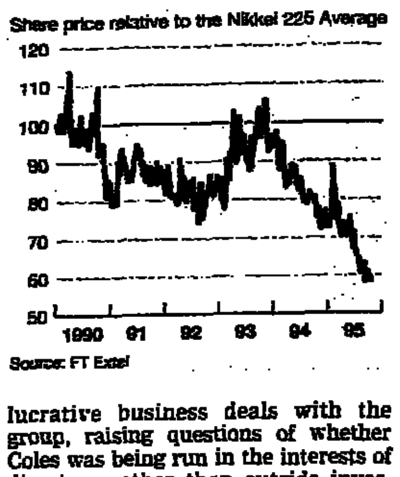
Since the property market is currently so gridlocked that transactions are almost non-existent, true values are impossible to gauge. But the recent sale of a Tokyo hotel for only a fifth of its peak value – and then only to a subsidiary of the company selling it – suggests that even Haseko may not be owning up to the full horror. That makes it difficult for other companies, whose financial positions are even weaker than Haseko's, to follow suit.

While Haseko's pioneering move clearly causes short-term pain, there is also a silver lining. Only by first cutting values to realistic levels can a liquid property market re-emerge. And only then can land prices start to rise again – something central to Japan's wider economic revival.

FT-SE Eurotrack 200:
1516.7 (-14.7)

Haseko Corporation

Share price relative to the Nikkei 225 Average



Source: FT Extel

Australian governance

Yesterday's victory for institutional investors in their campaign to shake up Coles Myer's board is not only good for the Australian retailer's shareholders. It sends a powerful message that Australian corporate governance is being cleaned up. Coles was a hard nut for the institutions to crack because Mr Solomon Lew, its ex-chairman, holds a large block of shares and was strongly supported by a group of directors from the Melbourne business establishment. Now that they have flexed their muscles and found them effective, institutions are likely to be more active in other cases – particularly as the growth of Australian pension funds gives them ever more firepower.

Few companies are in such need of reformed governance as Coles. Some directors' private companies enjoyed lucrative business deals with the group, raising questions of whether Coles was being run in the interests of directors rather than outside investors. Purists will argue that Mr Lew should have been removed from the board rather than merely demoted to vice-chairman. But the resignation of two allies and the appointment of five new non-executive directors is probably enough to clip his wings.

Recession sidelined most of the buccaneers who dominated Australian business in the late 1980s. Meanwhile, the authorities have been tightening up rules on reporting requirements and the like. But for many international investors, Australia retains its cowboy image. The Coles victory should further expunge it.

Salomon

It should have been a happy day for Salomon. After recent travails, earnings at the US investment bank rebounded to produce the most profitable quarter since 1993. But the decision of its most influential investor, Mr Warren Buffett, to reduce his stake in the group cast a cloud over yesterday's results. Despite careful wording, the Sage of Omaha's decision not to convert the first $140m tranche of his $700m holding of preferred shares into common stock at $38 – a slight discount to the market price – can hardly be viewed as a vote of confidence.

Indeed, the firm has been rather accident-prone of late. Last year's problems were caused by book-keeping errors, as well as trading losses. And earlier this year a laudable attempt to rein in compensation had to be ditched when staff started bailing out. Furthermore, the detail of the third-quarter numbers is less impressive than the headline figure. Notoriously volatile proprietary trading helped boost profits. This makes Salomon's decision to stop splitting results from the proprietary and client-driven businesses worrying. While management of the two may now be closely linked, the loss of transparency is undoubtedly a minus for investors.

Salomon is one of the lower-rated stocks within the investment banking sector, at only a small premium to book value. But those looking for a bargain may prefer Lehman Brothers, at a discount to book value, and a more likely takeover target.

Trafalgar House

Conglomerates are supposed to offer the benefits of risk diversification. But Trafalgar House, the engineering to shipping group, is leaking badly on all fronts. Another profits warning yesterday revealed that group losses have rapidly accelerated. It is hardly surprising that Trafalgar's shares have fallen 70 per cent since last December's abortive bid for Northern Electric.

At least the company's cash position has stabilised. But shareholders should hold out little hope of a dividend. Trafalgar could lose up to £180m this year, close to the company's entire distributable reserves. If its accountants believe there has been a similar diminution in its businesses' value, it will be unable to pay dividends until profits recover. Moreover, next year's cash position looks worrying. A substantial cash outflow will follow another stack of restructuring provisions. Further disposals, and a running down of the housebuilding division's land bank, may be required to plug the gap.

Fortunately for Trafalgar, its largest shareholder, Hongkong Land, remains committed. Trafalgar has failed to provide a safe haven from China risk, but the investment has cost only around 6 per cent of its net assets. Given Hongkong Land's support, patient investors in the preference shares should eventually be rewarded. Their dividend payments will be deferred rather than cancelled, and the current yield is 17.6 per cent. Moreover, ordinary shareholders will bear the brunt if further cash calls becomes necessary.

Lex comment on UK insurers, Page 26

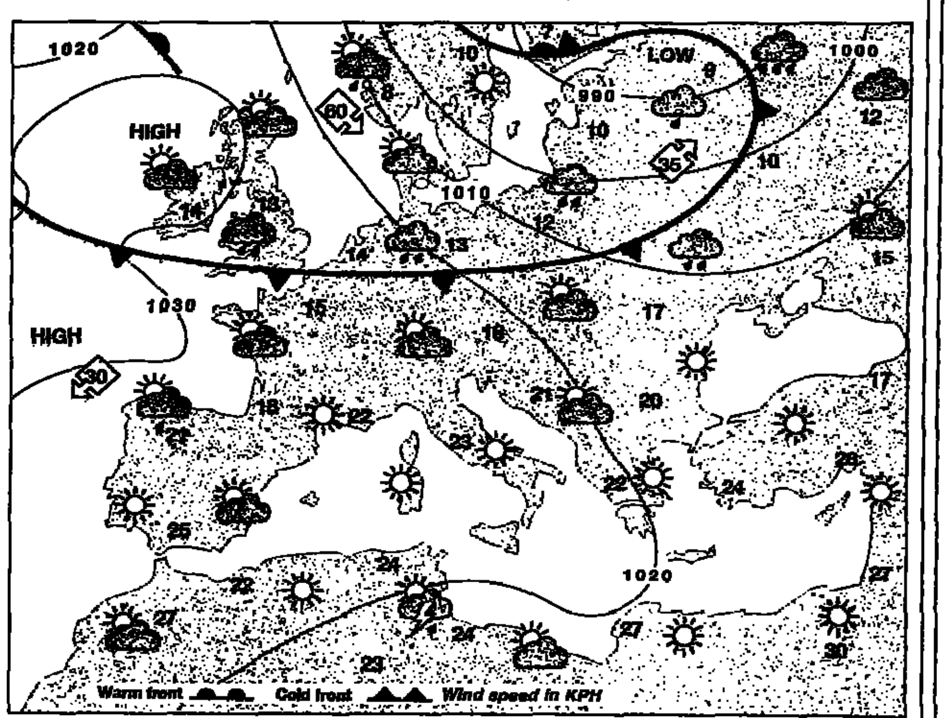
FT WEATHER GUIDE

Europe today

High pressure over the north-western British Isles will produce settled conditions with sunny spells. A strong north-westerly flow around this high will push colder air into north-western Europe. Cloud will dominate the leading edge of the colder air and drizzle or light rain will linger over the southern UK, the Benelux, Germany and Poland. In the wake of this cold front, the contrast between the cold air and the relatively warm seas will cause showers over Denmark and the Baltic Sea. High pressure west of France will promote sunny spells. France, Spain and the Alps will be dry. The Mediterranean countries will have plenty of sun.

Five-day forecast

Over the next couple of days, a high pressure area near the UK will move east, ensuring settled conditions over the north-west of the continent at least until Sunday. The UK will be unsettled from tomorrow because of a series of depressions. The unsettled conditions will reach the north-west of the continent this weekend. The central and western Mediterranean will have rain and thunder showers for a couple of days from the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	18	Caracas	cloudy	31	Faro	sun	24	Madrid	fair	22	Rangoon	cloudy	32
	Celsius		Belfast	fair	11	Cardiff	cloudy	15	Frankfurt	shower	13	Majorca	sun	22	Reykjavik	rain	6
Abu Dhabi	sun	35	Belgrade	fair	20	Casablanca	sun	22	Geneva	fair	16	Malta	fair	23	Rio	rain	24
Accra	thund	31	Berlin	drzzl	12	Chicago	shower	10	Gibraltar	sun	21	Manchester	fair	13	Rome	sun	22
Algiers	fair	22	Bermuda	shower	27	Cologne	rain	14	Glasgow	fair	11	Manila	cloudy	31	S. Frsco	fair	24
Amsterdam	cloudy	13	Bogota	cloudy	20	Dakar	sun	31	Hamburg	shower	11	Melbourne	shower	17	Seoul	fair	19
Athens	sun	22	Bombay	rain	32	Dallas	sun	21	Helsinki	drzzl	6	Mexico City	cloudy	22	Singapore	thund	33
Atlanta	rain	24	Brussels	rain	14	Delhi	sun	30	Hong Kong	fair	29	Miami	fair	31	Stockholm	fair	9
B. Aires	cloudy	24	Budapest	fair	17	Dubai	sun	34	Honolulu	fair	32	Milan	sun	19	Strasbourg	fair	13
B.ham	cloudy	14	C.hagen	shower	11	Dublin	fair	13	Istanbul	sun	18	Montreal	fair	16	Sydney	fair	25
Bangkok	thund	32	Cairo	sun	29	Dubrovnik	sun	22	Jakarta	fair	32	Moscow	rain	10	Tangier	sun	22
Barcelona	sun	21	Cape Town	fair	20	Edinburgh	fair	11	Jersey	drzzl	16	Munich	rain	15	Tel Aviv	sun	28
									Karachi	sun	34	Nairobi	fair	28	Tokyo	fair	23
									Kuwait	sun	34	Naples	sun	22	Toronto	rain	19
									L. Angeles	sun	25	Nassau	fair	30	Vancouver	rain	14
									Las Palmas	sun	31	New York	cloudy	18	Venice	sun	20
									Lima	cloudy	20	Nice	sun	21	Vienna	fair	17
									Lisbon	sun	23	Nicosia	sun	28	Warsaw	drzzl	12
									London	drzzl	16	Oslo	fair	12	Washington	fair	19
									Lux.bourg	drzzl	13	Paris	fair	15	Wellington	fair	16
									Lyon	fair	15	Perth	fair	20	Winnipeg	sun	4
									Madeira	fair	25	Prague	cloudy	13	Zurich	fair	13

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FINANCIAL TIMES
COMPANIES & MARKETS
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Friday October 20 1995

IN BRIEF

Kashing's son wins control of Gordon

Mr Richard Li, son of Mr Li Kashing, the Hong Kong tycoon, emerged as the new controlling shareholder of Gordon Capital, the Canadian securities firm. Page 22

US drugs groups show strong growth
Bristol-Myers Squibb, the second biggest US pharmaceuticals company, reported net profits 11 per cent higher at a record $689m for the third quarter of this year, while fellow research-based US drugs company Schering-Plough said third-quarter net income had grown 13 per cent to $252.6m. Page 22

AT&T to take $1.2bn computer arm charge
AT&T, the US telecoms company, reported a 6 per cent drop in sales of telephone network equipment in the third quarter, highlighting the pressures which prompted the decision a month ago to split off the business. The group also announced a $1.2bn charge for restructuring its computer arm, Global Information Solutions. Page 23

Global demand helps Coca-Cola sparkle
Coca-Cola, the US soft drinks company, reported a 13 per cent increase in net income to $802m for the third quarter due to steady growth in domestic and international markets. Earnings per share rose 16 per cent to 64 cents from 55 cents in 1994 - a larger rise than the increase in net income because of Coca-Cola's share buyback plan. Page 23

Coles Myer chairman to go as dispute ends
Mr Solomon Lew said he would step down as chairman of Coles Myer, Australia's largest retailer, days after three institutional investors called for the appointment of an independent chairman. Page 24

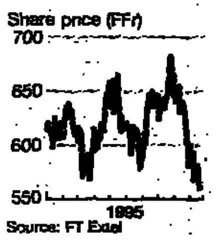
BBV flexes earnings muscle with 26% rise
Banco Bilbao Vizcaya (BBV), which has the largest deposit base among Spain's private banks, showed its earnings muscle with a 26.3 per cent increase in pre-tax profits to Pta107.4bn ($872.7m) for the first nine months of this year. Page 25

Mowlem head leaves after interim loss
John Mowlem, the troubled UK construction group announced that it had parted company with its chief executive, John Marshall, four weeks after reporting a £31.8m ($49.3m) loss for the first six months of this year. Page 26

French builder slips on downgrade

Saint-Gobain

Share price (FFr)



Source: FT Extel

Saint-Gobain, the French building materials company, come under pressure on the Paris stock exchange after a French broker lowered its recommendation from "buy" to "sell". The change in stance was in reaction to expectations of weak medium-term economic growth throughout the continent and particularly in France. The shares closed down FFr12 at FFr560. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Asko	685	-	35
Bil & Berger	543	-	22
Hochtief	607	-	19
Holzmann	565	-	20
VEW	462	-	13
Volkswagen	449.5	-	10
NEW YORK ($)			
Rises			
Cordis	107¼	+	21¼
Exxon	52¾	+	1⅛
Falls			
Apple	35½	-	2⅛
Intel	66¾	-	1
Motorola	65⅛	-	2⅞
Saloman	38⅝	-	1¼
LONDON (Pence)			
Rises			
Acorn Comp	144	+	31
Business Post	352	+	19
Forth Ports	587	+	25
Telspec	829	+	39
Falls			
Ferguson	268	-	40
Tring	59	-	27
TORONTO (C$)			
Rises			
Clearnet Comm	21½	+	1½
Fairfax Fin	82	+	1
Hummingbird	57	+	1½
Falls			
AFM Hospitality	6	-	1
Euro-Nevada	45⅛	-	1
Tee-Comm Elec	17¾	-	1⅛
PARIS (FFr)			
Rises			
Gen Des Eaux	426.9	+	18.9
Falls			
Bancaire Cie	446.8	-	14.4
Ecco	783	-	26
Intertechnique	455	-	21
Peugeot	634	-	26
St Gobain	560	-	12
TOKYO (Yen)			
Rises			
Oki Elec	962	+	27
Sumitomo Bk	1860	+	30
Toshiba	735	+	19
Falls			
Daikyo	658	-	36
Haseko	351	-	28
Tokyu Real Est	350	-	13
HONG KONG (HK$)			
Rises			
China Motor	65.5	+	0.5
Hang Seng Bk	65.6	+	1
Wharf	26.25	+	0.4
Falls			
Great Eagle	20.6	-	0.7
Lon Pac Ins	28	-	0.8
Swire Pac A	62.5	-	0.7
BANGKOK (Baht)			
Rises			
Siam Suk	330	+	14
Siam Cement	1420	+	42
Falls			
Am Standard	430	-	18
Prop Perfect	210	-	10
Thai President	179	-	11
Tisco	664	-	28

New York & Toronto prices at 12.30.

Buffett declines Salomon option

Market interprets investor's decision not to convert stock as vote of no confidence

By Maggie Urry in New York

Mr Warren Buffett, chairman and controlling shareholder of Berkshire Hathaway, the investment group, surprised Wall Street yesterday by deciding not to convert $140m of preferred stock in Salomon Inc, parent of the Wall Street securities house, into 3.7m ordinary shares.

Berkshire Hathaway is the largest shareholder in Salomon, with a 17.6 per cent stake in the group, and Mr Buffett is a leading member of its board.

Mr Buffett insisted the move did not mean he was "negative" on the company, but the stock market's initial reaction was that he had passed a vote of no confidence in Salomon.

Even though Salomon reported third-quarter results yesterday well ahead of market expectations, its shares fell $2⅝ in early trading. However, by lunchtime they stood only $1¼ down at $38⅞. The group reported third quarter net income of $268m, compared with a loss of $104m in the third quarter of 1994. Many on Wall Street had expected Mr Buffett to switch from the preferred stock because Salomon's ordinary shares had been trading above the $38 a share price at which he could swap the first 20 per cent of his $700m holding of preferred stock. Instead, he decided to redeem the tranche. There are four more tranches of $140m falling due on October 31 each year until 1999.

Mr Robert Denham, chairman of Salomon, said the decision was "pure Buffett".

Mr Buffett said: "I am making a single decision about whether I want to put $140m into Salomon common stock at $38 today or whether there is something else I would rather have Berkshire do with the money."

He said the decision did not predict what he would do on the next four conversion dates.

Mr Buffett has often said that "Mr Market" – his name for the stock market – allows him every day to buy or sell shares in any quoted company. He pointed out yesterday he had not chosen to buy Salomon shares in the market earlier this year when they were trading below $38, or shares in Coca-Cola and Gillette, two other large Berkshire holdings.

Moody's, the credit rating agency, said the move by Berkshire "generates uncertainty about the medium-term ownership structure of the firm". It said it remained negative on Salomon's debt rating outlook even though the third-quarter results were "significantly improved".

Mr Denham said: "The bottom line on the quarter is we made a lot of money and [through the redemption] bought back a lot of stock." He said the cash needed to redeem the stock was less than 1 per cent of the group's long-term capital.

The strong third-quarter figures will mean a boost to the salaries paid to Salomon staff. Earlier this year Salomon attempted to cut compensation causing a number of senior staff to leave. The scheme was later amended so that compensation reflected individual performances and levels of pay on Wall Street. Since then departures have slowed and Salomon has been able to hire senior people.

Salomon also announced that it would receive cash of $22.5m from the settlement of a shareholder action against former directors involved in the 1991 Treasury bond scandal.

Lex, Page 20; 'Spectacular' results, Page 23

Nokia disappoints despite 58% rise

By Christopher Brown-Humes in Stockholm

Shares in Nokia plunged 15 per cent in early New York trading yesterday after the fast-growing Finnish telecommunications group produced lower-than-expected interim figures and said the pace of growth in its core mobile phone division had slowed.

Pre-tax profits in the first eight months surged from FM2.29bn to FM3.62bn ($844m) but the 58 per cent rise was not enough to satisfy a market hungry for pleasant surprises.

In Helsinki, Nokia shares fell FM26 at one point and ended FM10 lower at FM275, dragging the Helsinki stock exchange down nearly 5 per cent because of the company's 40 per cent market weighting. Early trade in New York indicated heavy selling by US institutions, with the shares collapsing $10.25 to $58.375.

Analysts said investors were taking profits after Nokia echoed the assessment of its US rival Motorola, which warned last week of slowing mobile phone sales in the US and falling prices.

Mr Jorma Ollila, Nokia chief executive, acknowledged the difficulties in the US – where Nokia sells about one in four of its mobile phones – but said demand remained robust in European and Asia-Pacific markets. He noted the US market was mainly based on analogue mobile phone technology, while Nokia's strength is in the faster-growing and higher-margin digital business. The group expects its global digital sales to surpass its analogue business in the next two or three months.

Mobile phone sales surged 59 per cent to FM9.57bn, slowing from a 75 per cent growth rate in the first four months, but they were still the main driving force behind the underlying 55 per cent rise in total group sales to FM22.9bn.

The telecommunications division, which makes infrastructure for fixed and mobile systems, saw sales climb 51 per cent to FM6.38bn.

Mr Ollila said Nokia was winning market share in infrastructure and handsets, and moving rapidly into new markets, such as India and China. He said the group's global share of the handsets market, where it is the second largest manufacturer after Motorola, was "clearly above 20 per cent".

Johnson & Johnson in $1.7bn hostile bid for Cordis

By Tony Jackson in New York

The pace of hostile bids in the healthcare sector quickened yesterday with a $1.7bn offer for Cordis, a maker of cardiology equipment, from the much larger US healthcare group Johnson & Johnson. Johnson & Johnson said it would pay $100 a share in cash, but offered to raise the figure to $105 in an agreed stock swap, which would be tax free.

Cordis said it had "no definitive comment" on the offer, which it said it would have to evaluate. Its shares were up $21¼ at $107¼ by lunchtime.

Cordis is a leading supplier of equipment for angiography, used in treating heart disease. Mr Ralph Larsen, Johnson & Johnson's chairman, proposed that his company's cardiovascular business should be run by existing Cordis management, with the Cordis name and headquarters retained. He said the two companies would create one of the leading worldwide groups in the management of vascular disease.

At present, Johnson & Johnson is the only approved US supplier of stents, devices used to stop the reclosure of arteries after angioplasty (surgery of the blood vessels). Cordis began selling its own stent in Europe this year, and is expected to be permitted by the Food and Drug Administration to challenge Johnson & Johnson in the US market in the next year or two.

In a letter to Mr Robert Strauss, Cordis's chairman, Mr Larsen said he told Cordis of his interest in a merger more than a month ago. He said Mr Strauss had requested a meeting should be postponed until after Cordis's annual meeting on October 10, and had then refused to meet.

Mr Larsen claimed the offer price of $105 in stock was 70 per cent above the price before July 18, when wire services had first reported speculation on merger talks. The price was a multiple of 35 times Cordis's historic earnings, he said.

Mr Larsen stressed his desire for an agreed merger, saying in his letter to Mr Strauss: "We have the highest regard for you and your management team, which has built one of the industry's leading diagnostic and interventional cardiology businesses."

Johnson & Johnson filed a lawsuit to challenge a poison pill plan set up by Cordis three days ago. In a suit in Cordis's home state of Florida, Johnson & Johnson said the Cordis shareholder rights plan, which comes into effect if any person or group owns 15 per cent or more of the stock, would "constitute a breach of fiduciary duty to the company's shareholders".

Cordis's sales in the year to June were $443m, an increase of 32 per cent from the year before. Earnings per share were $3.19, also up 32 per cent. Johnson & Johnson's sales in the first nine months of this year were $14bn, an increase of 20 per cent.

The offer comes as Cordis has reached apparent settlement of two long-running lawsuits. Last month, it settled patent disputes with the US drug group Pfizer. In August, it reached a $21m settlement over claims arising from its heart pacemakers, a business it sold in 1987.

In a Securities and Exchange Commission filing, Johnson & Johnson said it estimated the total cost of its offer at $1.8bn. The offer was not conditional on financing, it said.

Manoeuvring coincides with $205m write-off for derivative dispute

Bankers Trust picks outsider as chairman

By Richard Waters in New York


The appointment of Frank Newman (left) as chairman was followed by the resignation of Eugene Shanks (centre) as president. The shake-up follows the decision by Charles Sanford (right) to retire from the top

The board of Bankers Trust voted yesterday to bring in a chairman from outside the bank, completing an overhaul of the senior management of the troubled New York institution.

Mr Frank Newman, a career banker and former deputy US Treasury secretary, will take over from Mr Charles Sanford, who had earlier announced his intention to retire. Brought into a senior executive position only a month ago, Mr Newman is thought to be the first outsider to be named to run the bank.

Mr Eugene Shanks, Bankers Trust's president, who until recently had been seen as Mr Sanford's likely successor, announced his resignation after yesterday's board meeting.

The bank also revealed yesterday that it had formally written off $205m owed to it by a handful of companies under disputed derivatives contracts, a move which could set the stage for a resolution of a long-running dispute with Procter & Gamble, the consumer goods group.

Mr Newman, who took over from Mr Shanks as president yesterday, will succeed Mr Sanford as chief executive at the beginning of next year and as chairman in April. The bank does not plan to appoint a new president after that, Mr Newman said, leaving him in full control of the bank.

Yesterday's boardroom manoeuvring, together with the $205m write-off, signals Bankers Trust's latest attempt to put behind it the problems that have dogged it for more than a year. The bank's derivatives business has been shaken by revelations of sales abuses, leading to lawsuits from Procter & Gamble, among others, over derivative contracts it sold. Also, weakness in Bankers Trust's trading and derivatives businesses plunged it into a loss in the first quarter of this year.

The bank yesterday reported a pick-up in after-tax profits during the third quarter, marking a continuation of the return to profitability registered in the previous three months.

However, the bank's earnings failed to match the level of a year before, despite the positive background of rising bond markets and active capital-raising generally.

In an interview yesterday, Mr Newman conceded that "the underlying earnings power of the company hasn't been fully realised", and that further improvements could be expected.

The $205m write-off took to $277m the total write-offs recorded since December, out of a total under dispute of $423m. Mr Newman refused to say how much of the latest write-off was related to the dispute with Procter & Gamble.

The timing of the move, coinciding with the announcement of Mr Newman's appointment, raised expectations that Bankers Trust would move quickly to put the P&G row behind it. Both sides are thought more likely to want to settle in the wake of last month's disclosure of evidence which seemed to cast both in a bad light.

Bankers Trust said Mr Shanks had not been asked to resign, while Mr Newman said the former president had not been tarnished by an independent investigation, yet to be completed, into the bank's derivatives activities.

The bank reported after-tax earnings of $155m, or $1.72 a share, for the third quarter, up from the $91m of the previous three months, but below the $169m of the 1994 third quarter.

The latest results reflect a return to break-even in the bank's derivatives business, which reported a profit of $1m, compared with losses of $171m in the first half of the year. Trading profits jumped to $104m, from $53m in the previous quarter.

Trafalgar House says losses have increased sharply

By David Wighton in London

Trafalgar House, the troubled engineering and construction group, yesterday warned its losses had increased sharply in the six months to September 30 and it was unlikely to pay dividends.

However, the trading statement, made in response to a slump in its share price, included an indication of support from Hongkong Land, which has a 26 per cent stake. Trafalgar said: "Hongkong Land has confirmed that it remains a long-term investor and is supportive of the actions management is taking."

This halted the fall in the share price which had lost a third of its value in a week on speculation that Hongkong Land, an offshoot of the Jardine Matheson empire, was planning to walk away. The ordinary shares closed ¾p better at 21¾p, compared with the year's high of 76p.

Trafalgar said the operating loss in the second half would be "considerably greater" than the £14.9m ($23.7m) it lost in the six months to March.

The deterioration stems from continued problems at four main businesses: power engineering, minerals and metals engineering, the French engineering business Sofresid and Cunard, the cruise line.

In the case of the engineering businesses, the losses will include provisions against old contracts following a detailed review. There will be further restructuring provisions related mainly to minerals and metals engineering.

Although the company refused to give further details before the figures are announced in December, some analysts predicted that losses could reach £180m, including provisions, compared with a profit of £45.6m the previous year. But the company said its cash position had stabilised and net debt at the year end would be below the interim of £246m.

At that stage, Trafalgar had net assets of £640.5m, and while the year-end figure will be lower it is understood the company will not be in breach of its banking covenants.

It said it had not taken any decisions on dividends but "on the basis of information currently available it is doubtful" whether it will pay either the ordinary or cumulative preference share dividends. The preference shares fell 2¼p to 41¾p.

Mr Nigel Rich, Trafalgar's chief executive, said: "I am very disappointed by this year's performance, but the group's construction and engineering order books have held up well and we have a clear understanding of what needs to be done to get the group back to satisfactory profitability."

In power engineering, the company said it would move away from turnkey projects such as that at Keadby power station where problems with turbines manufactured by General Electric of the US has resulted in losses.

The company said the class action by passengers on the QE2, which set sail before a refit had been completed, was "close to an acceptable settlement".

Mr Rich said further disposals of peripheral businesses were in progress following the sale of the Ritz hotel in London for £75m.

Lex, Page 20;
A moment of danger, Page 18

INTERNATIONAL COMPANIES AND FINANCE

AMERICAS NEWS DIGEST

Colgate-Palmolive posts $250m deficit

Colgate-Palmolive, the US soap and toothpaste company, yesterday reported a loss of $250m, or $1.76 a share, for the third quarter due to a restructuring charge announced last month. This compared with a profit last time of $151m, or $1 a share.

Excluding the $369m charge, which was taken to cover the costs of an 8.5 per cent reduction of its workforce and the closure or reconfiguration of 24 factories worldwide, Colgate's net income came to $119m, or 78 cents a share. This was in line with the forecast made by Mr Reuben Mark, chief executive, late last month. Earnings for the third quarter were off 22 per cent from net income of $151m, or $1, for the same period last year.

Colgate said its businesses in North America, Asia/Africa and Latin America outside Mexico all achieved excellent growth.

Mr Mark said Colgate-North America continued to gain momentum and increased unit volume by 13 per cent, while the Latin America and Asia/Africa businesses had double-digit unit volume growth, with the exception of Mexico.

"As anticipated, sales and earnings in the most recent quarter were impacted by the severe recession in Mexico," the company said, in line with earlier forecasts.

Colgate said it continued to grow strongly in Asia/Africa, which accounts for 20 per cent of sales. Sales increased 17 per cent and unit volume was up 12 per cent in the third quarter, with large increases from India, China, Malaysia, the Philippines and Kenya.

Colgate-Europe (accounting for 25 per cent of total sales) had 3 per cent unit volume growth, which, when combined with the strengthening of European currencies, resulted in an 11 per cent sales increase.

Countries showing the best growth were France, which is Colgate's largest European market, the United Kingdom, Portugal, Greece and Holland.

In early trading Colgate's shares added $1½ at $69⅞.

Lisa Bransten, New York and Extel

McDonald's posts 15% advance

McDonald's, the US fast food chain, yesterday posted net profits up 15 per cent from $349m to $400m during the third quarter. Revenues were ahead from $6.9bn to $7.86bn. Earnings per share increased from 48 cents to 56 cents. Mr Michael Quinlan, chairman and chief executive, said the global results were strong even before taking into account the benefit of stronger foreign currencies. "We remain confident that we can raise US sales and operating income at a compound annual rate the mid-single digits or better over a five-year period," he said.

In an "intensely competitive" US environment, he said, McDonald's was "sacrificing near-term margins for the long-term interest of the business." Mr Quinlan said the international sales growth percentage was expected to be "in the mid-to-high teens" with a focus on building market share. He said McDonald's was increasing its 1995 expansion target for traditional restaurants to 1,600 from between 1,200 and 1,500 previously, at the same time as cutting the target for new satellite restaurants from 1,000 to 700.

The key to market share growth was penetration and the "low-cost approach", he said. In the US, expansion and sales driven by "extra value meals", "happy meals" and promotions led to a 5 per cent increase in sales. But operating income rose only 2 per cent due to higher expenses and payroll costs, it said. McDonald's said sales outside the US rose 24 per cent, with "excellent" results in Canada, Australia, Hong Kong, France, Germany and Brazil. Stronger foreign currencies also helped comparisons, it said. *AFX News, Oak Brook, Illinois*

HK group takes control of Gordon Capital

By Bernard Simon in Toronto

Mr Richard Li, son of Mr Li Kashing, the Hong Kong tycoon, emerged yesterday as the new controlling shareholder of Gordon Capital, the Canadian securities firm.

The move is designed to expand Mr Li's interests in North American financial services, strengthen Gordon's financial resources and help repair the firm's tarnished reputation.

Gordon has a name as a maverick, secretive firm, and has been tarred by several brushes with Canadian securities regulators in recent years.

Mr Li's Hong Kong-based holding company, Pacific Century, will boost its voting stake in Gordon from the present 15 per cent to 50.1 per cent. Gordon's senior employees will gradually acquire a 60 per cent equity stake.

Pacific Century said no funds would change hands for the time being. However, Pacific Century is expected to make a significant, undisclosed capital infusion in the future, and will provide financing packages to enable senior Gordon executives to increase their investment in the firm.

Mr Jimmy Connacher, Gordon's controversial chairman, will relinquish day-to-day management responsibilities. However, Mr Connacher, who is credited with many of Gordon's successes but also blamed for its setbacks, will retain his 10 per cent interest in the firm.

Mr Frank Sixt, who represents Mr Li's interests in Canada, will take over as interim chairman and chief executive. Two senior Gordon executives, Mr Jeffrey Green and Mr Ron Lloyd, were named co-presidents.

Gordon, with a capital base of C$150m (US$112m), is one of the largest Canadian securities firms not owned by a bank. According to Mr Sixt, Pacific Century's involvement will make the firm more competitive in its existing businesses, and bring opportunities for growth, especially in the US and Asia.

Gordon made its name in the mid-1980s by pioneering the "bought deal", in which a small number of firms buy an entire share offering and then distribute it to their clients.

Mr Li is best known as the founder of Star TV, the Asian satellite TV network. He worked for Gordon for several years in the late 1980s.

The investment in Gordon follows numerous others by the Li family in Canada. Mr Li Kashing owns a controlling stake in Calgary-based Husky Oil, and a big property developer in Vancouver.

He is the biggest single shareholder in Canadian Imperial Bank of Commerce, the country's second-biggest financial institution.

Hollinger aims for the best of two worlds

The newspaper group's chief is concentrating on the short term, writes Bernard Simon

Ask Mr David Radler about Hollinger International's plans and it becomes apparent that the media group's chairman prefers to dwell on more immediate challenges such as squeezing trade unions, maximising cash flow and the three deals that he says are on his desk.

"I don't know what [Hollinger] is going to look like next year," says Mr Radler, a long-time business partner of Mr Conrad Black, Hollinger's controlling shareholder. In recent years, Mr Radler has overseen Mr Black's North American interests.

Hollinger International has a simple strategy, Mr Radler added in an interview after a shareholders meeting last Friday to approve a restructuring of Mr Black's far-flung media interests: "We believe in the newspaper business. We think there's value and growth in this business. So why wouldn't we look at every opportunity that comes our way? I don't want to exclude anything."

Under the restructuring, Hollinger International, formerly American Publishing Company (APC), has replaced Toronto-based Hollinger Inc as the lynchpin of Mr Black's media empire. APC was the holding company for Mr Black's North American papers including the Chicago Sun-Times, Chicago's second-biggest daily, about 400 small US daily, weekly and free-sheet titles, and the Jerusalem Post. Hollinger International has become the main holding company for most of Mr Black's media assets worldwide. Mr Black's small Canadian newspapers remain under the wing of Hollinger Inc.

The enlarged company's stable includes a 63 per cent stake in the UK's Telegraph group; a sizeable minority interest in Southam, Canada's biggest daily newspaper chain; and papers in Costa Rica and the Cayman Islands. The Telegraph owns 25 per cent of Australia's John Fairfax chain.

Under Mr Black's original plan, the restructuring would have included a buy-out of The Telegraph minorities. But this proposal was shelved last summer after Mr Black and The Telegraph's independent directors failed to agree on a price. Mr Black's relations with the City were also strained in mid-1994 when he sold a stake of nearly 10 per cent shortly before the Telegraph joined the UK newspaper price war.

According to Mr Radler, another attempt to buy out The Telegraph minorities is not a high priority. Mr Steve Barlow, analyst at Smith Barney in New York, predicts that the US is Hollinger International's most likely area of expansion over the next year or two.

The company has spent almost $100m buying 16 papers from Thomson, the Canadian-controlled publishing group. Many more proprietors may be encouraged to put papers up for sale if Republicans in the US Congress push through proposals for a cut in the capital gains tax.

Whatever Hollinger's plans, the restructuring is designed to give it more muscle to carry them out. Hollinger International in its present form would have earned $106.9m last year, about eight times more than the old American Publishing's earnings. Revenues would have more than doubled to $874.2m.

Conrad Black, Hollinger's controlling shareholder

But a number of other things need to fall into place before the rewards of the reorganisation can be realised.

Mr Radler hopes all Hollinger's papers will reap tangible benefits by coming under one umbrella. "I'm going to encourage the use of the facilities and strengths available to this worldwide organisation," he says.

He cites, for example, an electronic information committee comprising representatives of the group's main newspapers who first met this year. The Telegraph and the Chicago Sun-Times have emerged as leaders in the provision of online services in their respective markets and are being encouraged to share ideas with other Hollinger papers.

The Sun-Times recently launched a regular section, similar to a TV guide, covering its online services. The paper hopes to attract advertisers to the printed supplement and its worldwide web site. The site includes a Chicago traffic map which shows travel times, updated every minute, on the city's main commuter routes.

In other areas, the Edmonton Journal, a Southam paper, recently provided a training course for Sun-Times circulation staff.

However, Mr Radler acknowledges "there's been more resistance to [co-operation among papers] than there should be". "It's not the kind of thing I can mandate. It's got to come about on its own."

Hollinger International's appeal to outside investors is limited. The company is 55 per cent owned by its Toronto-based parent, leaving only a small public float. Mr Black controls more than 95 per cent of the votes, because of multiple voting shares.

Although Hollinger International does not carry a significantly heavier debt burden than APC, relative to its size, its debt-to-equity ratio is higher than most other US media companies. Debt and preferred shares, totalling $741m on June 30 make up 65 per cent of total capitalisation.

Some lenders have imposed tough conditions, including restrictions on subsidiaries' dividend payments and acquisitions. One $150m secured note issue carries high interest rates of 10.2-10.5 per cent.

According to Mr Radler, Hollinger International's debt is not unduly onerous, provided cash flow remains strong. "That's my life – improving the cash flow," he says.

Nevertheless, Hollinger International said in a recent proxy statement that it intended to restructure bank debt and strengthen its capital structure by issuing equity. It plans to "explore ways to broaden the stockholder base and improve the market liquidity of Class A common stock".

The Toronto-based parent has raised the possibility of unloading some of the 33.6m Class A shares that it acquired as part of the restructuring. However, Hollinger Inc has agreed not to put its shares on the market for at least two years if such a move would interfere with the Chicago-based company's efforts to raise capital.

Mr Black and Mr Radler are clearly hoping for the best of two worlds, namely, to use Hollinger International shares as currency for acquisitions without significantly diluting their grip on voting control.

Wallace rejects sweetened Moore bid

By Bernard Simon

Wallace Computer Services, the Chicago-based information services group, has rejected a sweetened US$1.4bn takeover offer from Canada's Moore Corp.

However, the 12-week-old battle appears to be entering its final stages. According to analysts, Moore's present offer of $60 a share, or a slightly higher one, will probably succeed. Wallace has so far failed to find a white knight, in spite of an international search.

Moore raised its offer from $56 a share last week, with a warning that it would walk away unless a "significant percentage" of shares is tendered by November 3. Wallace shares were trading in the low $40s prior to Moore's initial bid. Wallace's shares are widely held, but arbitrageurs seeking a quick profit are estimated to have snapped up between a quarter and a third of the stock.

One New York-based arbitrageur predicted yesterday that, barring a last-minute appearance of a rival bidder, an overwhelming majority of shareholders would tender to Moore's offer. He added however, that Moore "may throw in an extra dollar or two. If they're able to reach a happy marriage with Wallace on that basis, it may be worth it".

Wallace urged shareholders to reject the latest offer on the grounds that earnings for the current quarter, ending October 31, were likely to be significantly higher than analysts' estimates. The company, which specialises in electronic forms, labels and other information management products, forecasts a 50 per cent jump in quarterly income and a 33 per cent advance for the fiscal year ending next July. "In light of the company's future prospects, shareholders would be best served by Wallace remaining an independent entity," directors said.

Moore, whose annual sales are about four times higher than Wallace, has been trying for the past two years to shake off the image of a dowdy, slow-moving behemoth.

Bristol-Myers registers record results

By Daniel Green

Bristol-Myers Squibb, the second biggest US pharmaceuticals company, reported record profits and sales for the third quarter and nine months yesterday, with fellow research-based drugs company Schering-Plough also reporting good growth.

Their results appear to confirm industry surveys showing world drugs sales rising at the fastest rate for at least three years.

BMS said third-quarter net income climbed 11 per cent from $621m to $689m. Sales rose 16 per cent to $3.4bn, driven by a 23 per cent increase in non-US sales. Mr Charles Heimbold, chairman, said gains had come primarily from volume increases.

The pharmaceuticals division grew 15 per cent, held back by a 2 per cent fall in sales of the heart drug Capoten "due to increased competition". Capoten is one of the oldest drugs in a category of heart treatment called Ace-inhibitors. Capoten's misfortune was partly offset by a 62 per cent rise in sales of the new cancer drug Taxol. Glucophage, a newly launched diabetes treatment, "performed exceptionally well".

Schering-Plough said net income grew 13 per cent in the third quarter from $224.3m to $252.6m.

The domestic drugs market was the strongest part of the business, with sales up 27 per cent. Non-US sales rose 9 per cent, or by 3 per cent excluding exchange rate movements.

Mr Robert Luciano, chairman, said he expected 1995 "will be another year of good earnings growth", adding that earnings per share from continuing operations should be "slightly above $2.80", compared with $2.42 in 1994. Third-quarter sales of animal health products rose 18 per cent, while sales in the healthcare division, which makes non-prescription medicines, fell 2 per cent.

US drugs companies: third quarter

	Sales ($m)	Change on year (%)	Net profit ($m)	Change on year (%)
AHP	3,258	5*	277	-33†
Warner-Lambert	1,775	6.2	214‡	+27
Schering-Plough	1,257	15	253	+13
BMS	3,413	16	689	+11

* Pro forma to include American Cyanamid for all of 1994
† Including a $188m restructuring charge in 1995
‡ Including a special pre-tax gain of $117m
Source: Companies

American Home Products lags behind rivals

By Daniel Green

American Home Products and Warner-Lambert, two US drugs companies with strong sales in consumer markets, posted slower growth from continuing businesses than several of their rivals yesterday.

American Home Products had 44 per cent sales growth to $3.26bn, almost entirely ascribed to last year's $10bn acquisition of rival American Cyanamid.

If Cyanamid's figures are included for the whole of last year, sales growth was only 5 per cent. The acquisition also depressed net profits, down 33 per cent to $277m because of a $188m restructuring charge from the integration of Cyanamid.

Excluding the acquisition, sales growth was driven by higher sales of agricultural products and medicines outside the US. It was partly offset by lower US sales of healthcare products and food products.

US pharmaceuticals sales increased 1 per cent in the third quarter compared with the same period in 1994. Non-US pharmaceuticals sales rose 13 per cent, helped in part by favourable foreign exchange movements.

Consumer health followed a similar pattern, with US sales down 2 per cent and foreign sales up 8 per cent. Agricultural product sales rose 39 per cent, helped by crop protection products such as Prowl (called Stomp in non-US markets).

Food product sales fell 21 per cent, mainly because of declines in such products as Crunch and Munch.

Warner-Lambert's sales rose 6.2 per cent to $1.8bn, with profits up 27 per cent to $214m. The rise included a pre-tax gain of $117m following the sale of the Pro toothbrush business to Gilette. Consumer health care sales rose 8 per cent in the quarter to $870m.

Pharmaceutical sales rose 4 per cent to $558m, and confectionery sales rose 5 per cent in the quarter to $348m.

Mr Melvin Goodes, chairman, said that the company "will continue to dispose of non-strategic assets".

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Restructuring charges cut into AT&T earnings

By Tony Jackson in New York

AT&T, the US telephone company, reported a 6 per cent drop in sales of telephone network equipment in the third quarter, highlighting the pressures which prompted the group's decision to split from its equipment business a month ago. For the group as a whole, earnings were up 13 per cent at $1.43bn, or $0.90 a share, before special items.

After a net charge of $1.2bn for restructuring Global Information Solutions, the former NCR computing business, earnings were down sharply at $262m, or $0.16 a share. AT&T said the charges, slightly higher than expected, would cover the loss of 7,200 jobs and 1,300 contractors. It also warned of possible future charges to cover the group's restructuring.

GIS made an operating loss of $170m before charges in the quarter, after a $189m loss in the second quarter. Sales rose 3 per cent to $2.03bn. The charges, totalling $1.6bn before tax, are for shrinking and consolidating GIS operations around the world and halting the manufacture of personal computers.

AT&T said the 6 per cent drop in sales of network equipment partly reflected deferred capital expenditure by telephone companies and delayed decisions on the choice of new technologies. However, some companies had also been reluctant to award business to a competitor. Mr Robert Allen, AT&T chairman, said the separation of the business would help remove these conflicts.

Sales of other equipment were stronger, with business phone systems and consumer equipment up 16 per cent. The entire equipment division, including GIS, produced a 1.5 per cent rise in revenues to $5.14bn. However, gross margins excluding the GIS charges fell from 37 per cent to 35 per cent, and gross profits fell 5 per cent.

Revenues in telephone services increased 7 per cent to $12bn, and gross profit margins rose from 43.5 per cent to 46 per cent. Growth continued to be led by wireless services – the former McCaw Cellular – with a 28 per cent rise in revenues to $758m and a 38 per cent increase in subscribers to almost 5m. Revenues from financial services rose 18 per cent to $950m. Sales were higher at AT&T Capital, which is to be sold, and at the AT&T credit card operation, which will be retained.

■ Bell Atlantic's growth in wireless was an important factor in its better-than-expected rise in third-quarter profits, analysts said. The company saw net profit rise to $604m, compared with a loss of $1.87bn in the third quarter last year.

"The 47 per cent increase in cellular subscribers (from a year ago) in the joint venture with Nynex was tremendous," said Mr Bill Vogel, an analyst at NatWest Securities.

Salomon 'spectacular' in third period

By Maggie Urry in New York

Third-quarter results from Salomon, parent of the Salomon Brothers investment bank, far exceeded market expectations, demonstrating the volatility and unpredictability of the group's earnings. After several quarters of disappointments, the figures were "spectacular", one analyst said.

Net income for the period was $268m, which compares with a loss of $104m in the third quarter of 1994, and a loss of $60m in the second quarter this year.

Earnings per share, fully diluted, swung from a loss of $1.13 in the comparable quarter and from a loss of 73 cents in the second quarter to $2.10. Earnings per share would have been higher if Salomon had taken into account Mr Warren Buffett's decision to take cash rather than shares for the $140m of convertible preferred stock which is due to redeem on October 31.

For the first nine months net income turned round from a loss of $242m to $289m profit, with earnings per share of $2.19 compared with a loss of $2.67.

The recovery was largely caused by a sharp rise in pretax income from proprietary trading, both at Salomon Brothers and in the Phibro commodity trading business. At Salomon Brothers, proprietary trading business made $349m before tax, compared with a loss of $114m in the 1994 third quarter and a loss of $93m in 1995's second quarter.

Phibro made $68m, after losing $27m in the comparable quarter and $162m in the preceding quarter.

Pre-tax income at Salomon Brothers' client-related business fell from the $149m in the second quarter to $32m, although it compared with a $62m loss a year ago. Salomon said this partly reflected a change in the amount set aside for paying staff.

The improvement in the results meant higher salaries and bonuses would be paid for the compensation year to the end of September than had been anticipated earlier in the year. As a result the extra amount – totalling $90m – was taken in the third quarter rather than being spread over the four quarters.

However, compensation was 55 per cent of revenues, not far above the industry average of around 50 per cent.

Analysts said that excluding the effect of the compensation top-up, the income from client related businesses ran at about $100m in the quarter. Even so, this was below that for the previous quarter, reflecting a drop in equity underwritings as Salomon slipped down the league tables after its strong second quarter.

The loss at Phibro USA, the oil refining activity, rose from $4m to $9m quarter on quarter.

Steady growth at Coca-Cola

By Lisa Bransten in New York

Coca-Cola, the US soft drinks company, yesterday reported a 13 per cent increase in net income for the third quarter of 1995, due to steady growth in domestic and international markets.

Profits for the third quarter came to $802m, up from $708m in the same period last year. Earnings per share rose by 16 per cent to 64 cents from 55 cents in 1994 – a larger rise than the overall increase in net income because of Coke's share buy-back plan.

So far this year Coke has bought 25m shares leaving 1.26m outstanding as of the end of the quarter.

Sales volume grew by 8 per cent in the US in the quarter, and by 7 per cent internationally.

Mr Roberto Goizueta, Coca-Cola chairman and chief executive, said that he was especially pleased with the growth in international sales volume given the economic difficulties in three important markets: Japan, Mexico and Argentina.

"Obviously, we expect higher long-term growth out of those markets. But our global strength continues to produce superior results, even when selected markets turn sluggish," he said.

Sales volume declined by 6 per cent in Mexico in the third quarter, but the fall was more than offset by 34 per cent growth in Brazil and 16 per cent growth in Chile. Overall, sales volume gained 5 per cent in Latin America.

Coke said sales volume in Japan increased slightly, but strong growth in China and the Philippines led to 9 per cent growth overall in the middle east and far east.

Volume jumped by 34 per cent in China in the third quarter and by 14 per cent in the Philippines.

The company also gained ground in the UK, where sales volume rose by 27 per cent helping the company's greater Europe group to a 6 per cent rise in volume.

Coke's results were in line with forecasts made by the company's president, Mr Doug Ivester, in late September.

At that time Coke's shares rose by $1⅝ to $69¼ after Mr Ivester's comments helped alleviate concern that the company's strong volume growth would flag in the second half. Yesterday, the shares slipped by $⅜ to $70⅞.

TWA upbeat on prospects despite loss

Trans World Airlines (TWA), the US carrier, is bullish on its year-over-year comparisons for the current fourth quarter and the first quarter of next year, even though traffic appears soft in those two periods, reports AP-DJ from New York.

The US's seventh-largest airline had third-quarter operating income before charges of $103.3m, compared with the year-ago operating profit of $34.7m. The net loss for the quarter was $82m, against an $8m net deficit a year earlier.

Mr Jeffrey Erickson, chief executive, said that TWA expects to post "continuing profitability from here on out". The company emerged from a pre-packaged Chapter 11 bankruptcy plan at the end of August.

Load factor, or the percentage of seats filled, rose 2 per cent and the airline's unit costs were 7.8 cents per available seat mile in the quarter.

The carrier ended the quarter with $251m in cash – not including the $55m from its recent equity offering. That compares with the $114m TWA had at the end of the third quarter last year. The group plans to use some of that cash to spruce up its infrastructure – including painting its aircraft – as well as to acquire new ones.

The airline's debt now stands at less than $1.2bn.

Computer Associates outstrips expectations

By Christopher Parkes in Los Angeles

Computer Associates, the acquisitive software company, outstripped analysts' expectations in the second quarter of its 1995–96 year with a 31 per cent rise in net income before charges.

Revenues rose 30 per cent to $812m, partly as a result of the purchase of Legent – CA's 50th acquisition since 1976. Income before the charges associated with this acquisition was $171m, or 68 cents a share, compared with last year's 52 cents. Analysts' aggregate forecasts had indicated a figure of 62 cents.

Net loss after the charge was $637m, or $2.64 a share.

Mr Sanjay Kumar, group president, said CA, ranked second in sales terms behind Microsoft, would continue to look for purchases. "There are more opportunities in the market place than ever before," he said.

While there were a lot of successful new entrants, he expected consolidation to be concentrated in the middle ranks of companies in CA's market segment: those specialising in software for mainframe computers and, increasingly, client/server applications.

The Legent purchase was seen by analysts as marking a decisive strategic switch from mainframe applications to providing product for client/server networks which typically comprise large numbers of PCs linked through one large machine.

Mr Kumar said he expected mainframe software sales in the 1996–97 financial year to decline to 60 per cent of the group total, compared with some 80 per cent in the current period, 70 per cent in 1994–95 (before the Legent acquisition) and 100 per cent three years ago. The Legent workforce was already fully integrated, although there was still some work to be done on products, he added.

Group revenues for the six months to end-September were up 26 per cent at $1.39bn. Cumulative net income and income per share – excluding acquisition-linked charges – were up 30 per cent.

AMERICAS NEWS DIGEST

Canadian railway slips in third term

Canadian National Railways, due for privatisation in November, said lower grain movements reduced third quarter revenues by 9 per cent to C$997m (US$744.9m), down from C$1.1bn a year earlier, and net profit was C$81m, against C$86m in the 1994 period.

Expenses dipped 6 per cent due primarily to lower labour costs and reduced depreciation. CN has downsized drastically in the past two years and in the second quarter wrote down asset values.

CN's underwriters have set the public offering price at C$22.50 to C$25.50 a share, with the final pricing to be set in mid-November. They hope to sell all 80m CN shares owned by the Federal Government, plus a further 3.8m CN treasury shares, to raise a total of about C$2bn.

Nearly half the issue is expected to be sold in the US, because of strong interest there in the railway industry. The rest will be marketed in Canada and Europe.

CN has already begun its international road show for the issue. Amended prospectuses have been filed in Canada and the US. Payment for the CN shares will be in two instalments. *Robert Gibbens, Montreal*

Stone-Cons maintains advance

Stone-Consolidated, the newsprint arm of Chicago's Stone Container, continued its recovery in the third quarter with net profit of C$80.8m (US$60.4m), or 93 cents a share, against a deficit of C$4.5m a year earlier.

Revenues were C$417m, up 49 per cent, with strong newsprint and groundwood paper presses. The mills in eastern Canada and Britain produced at peak capacity.

Nine months' earnings were C$123m, or C$1.89 a share, against a loss of C$22.8m, or 35 cents. Revenues were C$1.1bn against C$780m.

In November the company will absorb Boise Cascade's newsprint assets in a deal worth US$740m, making it one of North America's biggest newsprint producers with annual capacity of about 2.2m tonnes.

Stone Containers will have about 46 per cent of the merged company and Boise 7 per cent. *Robert Gibbens*

Canadian gas field progressing

Mobil Oil Canada says Sable Island offshore gas could reach production by 2000 if regulatory approvals are given by mid-1997. The project would produce up to 400m cubic feet of gas daily by developing six fields in the Sable Island area nearly 200 miles east of Halifax, Nova Scotia.

About C$500m (US$373.5m) has been spent on exploration and development in the area since the early 1970s. The new project would cost about C$2bn and the distribution system on shore will cost a further C$1bn.

Mobil and Shell Canada are joint operators for the production consortium. This is owned 41 per cent by Mobil, 26 per cent by Shell, 18 per cent by Petro-Canada, 9 per cent by Imperial Oil and 6 per cent by a Nova Scotia government unit.

The project will require seven offshore platforms, 30 production wells, 150 miles of gas gathering pipeline to shore, a gas processing plant, located 90 miles north east of Halifax, and an onshore pipeline to take by–products (propane and butane etc) to an upgrading plant and storage at Point Tupper, further north.

Mobil said the Sable project had completed almost all public hearings and environmental evaluation. The full development plan will be filed with governments by the year-end and approvals are sought for mid–1997. *Robert Gibbens*

INTERNATIONAL COMPANIES AND FINANCE

Lew agrees to step down as Coles Myer chairman

By Nikki Tait in Sydney

Mr Solomon Lew yesterday said he would step down as chairman of Coles Myer, Australia's largest retailer, just days after three institutional investors called for the appointment of an independent chairman.

Mr Lindsay Fox, the Melbourne-based trucking magnate, and Mr Will Bailey, a former deputy chairman of the ANZ banking group, both of whom were seen as close allies of Mr Lew on the Coles board, also resigned as directors of the retail group. Earlier in the day, Sir James Gobbo, a non-executive director, announced separately that he was leaving to become Lieutenant Governor of Victoria

Mr Lew will remain as vice-chairman of the company, in which he holds a 13.5 per cent stake and to which his private companies are substantial suppliers. However, the diminished seven-man Coles board will appoint a new non-executive chairman and five non-executive directors. "Subject to the new board's agreement", Mr Lew will also remain chairman of Coles' strategy committee, the company said in a statement.

Mr Nick Greiner, one of the remaining non-executive directors, said discussions would start with the institutions on Monday about the new appointments. He said the new chairman should be from Melbourne, where Coles is based.

Yesterday's developments are the culmination of a long battle by institutional investors to get some basic corporate governance safeguards implemented at Coles. They have been concerned over Mr Lew's tripartite role at the retail group – where he was executive chairman, the largest single shareholder, and a big supplier – and the group's poor performance in terms of profits growth and share price appreciation.

The concerns turned into action last month when Coles sacked Mr Philip Bowman, its new finance director, and the so-called "Yannon transaction" came to light – a deal which one barrister has deemed lawful but which cost Coles A$18m (US$13.6m) and benefited Mr Lew's interests by a like amount.

The Coles saga has been described as a "watershed" in Australian corporate history. As in other countries, institutional investors have become more pro-active in the past few years, but Coles was always thought to be a tough target because of its links to the "Melbourne establishment" and Mr Lew's personal stake.

This was also the first time that Australian institutions challenged incumbent directors primarily over corporate governance issues, rather than financial matters.

Yesterday, the investors which led the revolt – the AMP Society, Bankers Trust Australia and State Super – said they hoped "all shareholders will join with us in support of the proposed new board and its efforts to add value to the company".

Shrewd acquisition leaves Sons of Gwalia glowing

Reynolds deal will propel the group into the top 10 gold producers in Australia, writes Kenneth Gooding

The deal that will propel Sons of Gwalia into the top 10 Australian gold producers has turned out to be so profitable for the company that Mr Peter Lalor, the managing director, is almost embarrassed to give details.

SoG paid A$22.9m (US$17.2m) in March for the Marvel Loch and Southern Cross gold mines, bought from Reynolds Metals, the US aluminium group that was making a strategic withdrawal from Australian gold to concentrate on its core business.

The acquisition brought with it A$7m of tax losses which SoG could use, so the net cost was A$16m.

Mr Lalor says that since the acquisition SoG already has recovered half the net cost in profit from the historic Marvel Loch mine and the nearby Southern Cross operations in Western Australia. "It is the best deal we have ever done," he says.

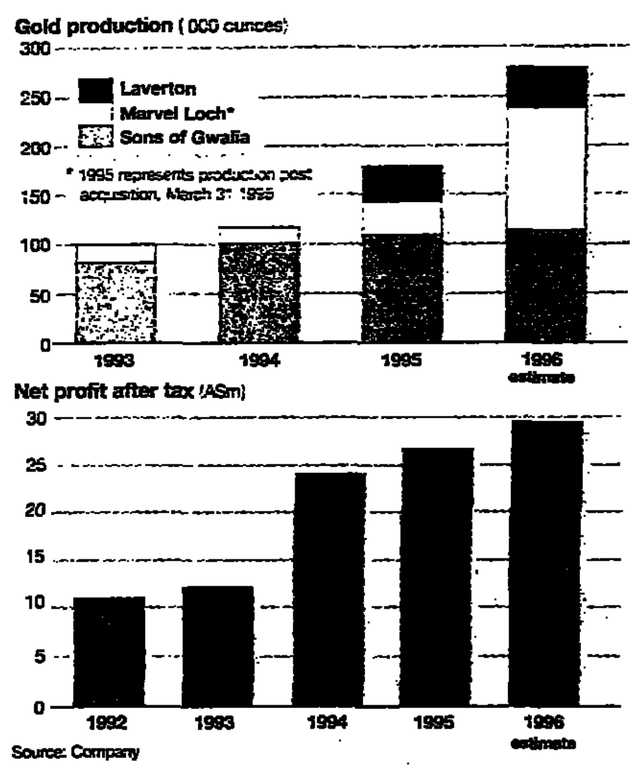
SoG has transformed prospects for Marvel Loch by paying A$2.5m for land surrounding the mine and that way removing a severe constraint on its future physical development – previously, there was not enough room to slope the walls of the open pit at a convenient angle.

Also, even though they were only about 20km apart, each of the Reynolds' mines had its own mill and SoG immediately closed one down to gain substantial cost savings.

The deal will help SoG's gold production rise 55 per cent in the present financial year – ending in June 1996 – from 180,361 troy ounces to about 280,000 oz. Some of this increase will come from SoG's original mine at Leonora, also in Western Australia.

Mr Lalor is certain that next year SoG will increase its annual production rate to a sustainable 300,000 oz, the level required for consideration for inclusion in the new Financial Times Gold Mines Index. As some institutional investors can hold gold shares only if they are in the index, this has obvious advantages.

However, the changes at SoG have not gone unnoticed and since the acquisition it has been one of the top performing gold shares on the Australian Stock Exchange. This performance also reflected a range of strong fundamentals, including record pre-tax profits of A$30.8m, up from A$24.99m, operating cash flow of A$47.5m, equivalent to 66.61 cents a share and up from 62 cents, and earnings per share up from 34.4 cents to 38.1 cents.



Source: Company

An important contributor to the company's strong financial performance has been its gold hedging programme. Mr Lalor recalls that SoG was the first gold company in the world to start serious hedging. That was in 1984, a year after a small group of investors, led by Mr Lalor and his brother, Chris, now executive director responsible for legal and commercial affairs, decided to redevelop the old Sons of Gwalia underground mine.

During the 1994-95 financial year, SoG's hedging gave it a price of A$653.35 an ounce, compared with an average spot price of A$517.92. It has subsequently sold forward 1.1m oz to achieve A$660 an ounce for all the gold it will produce in the next three years. Mr Lalor says: "You have to be an extreme optimist to think that the spot price will go above A$660."

One cloud on the SoG horizon is that the Reynolds acquisitions resulted in costs, never an issue at the Gwalia mine, rising. They increased from A$268 an ounce to A$307 last year and are expected to be about A$330 in the present financial year.

Underground mining at the Gwalia mine, where Herbert Hoover, later president of the US, was once mine manager, went down about 305 metres.

SoG has developed a large open pit operation and is using new techniques to get at gold finely dispersed through the ore and not visible to the old-time miners.

Gwalia will produce about 120,000 oz of gold this financial year, up from 109,225 oz, helped by a big cutback in the pit wall that has revealed rich ore grades and will allow open cut operations to continue for another six or seven years. The final pit depth will be 280 metres, compared with the present 175 metres and Mr Lalor says: "I am sure there will then be underground development."

At SoG's Marvel Loch mine, production this year should be 120,000 oz. The acquisition from Reynolds substantially increased SoG's gold reserves and resources, which jumped last year by 50 per cent, from 2.4m oz to 3.63m oz.

Mr Lalor says the company's aggressive exploration effort – costing A$13m this year – has enabled it to build over the years the biggest land holdings in two of the most prospective gold areas in Australia (Leonora/Laverton and Marvel Loch) and one of the biggest in a third (in the Tanami desert of the Northern Territory).

Four exploration projects in particular stand out: Red October, Kailis and Sunbeam (all not far away from either the Gwalia mine or the company's small Laverton mine in Western Australia) and the projects in the Tanami desert.

Mr Lalor says Red October, which forms part of the Butcher Well joint venture with Mount Burgess Mining, is likely to be in production as early as next year. SoG is earning 50 per cent of the Red October deposit, which lies under Lake Carey, 80km south of Laverton. Mr Lalor says: "The infrastructure is already there, the mill is waiting and we won't need to spend much capital. It will be a high-grade, open-cut mine and our share should be 40,000 oz to 50,000 oz a year."

That would be more than enough to take SoG into the list of 300,000 oz a year producers.

Low ratings for Philippine banks

By Edward Luce in Manila

Moody's, the US credit rating agency, said it had assigned relatively low financial strength ratings to the Philippines' five largest banks yesterday.

The five banks – Metro Bank, Philippine National Bank (PNB), the Far East Bank and Trust Co, the Bank of the Philippine Islands (BPI) and the Philippine Commercial and International Bank – received grades of either C or D from Moody's on a scale of A to E.

At C+, BPI received the highest rating, while PNB, the partly privatised state bank, received the lowest with a straight D. Metro Bank, the country's largest private bank, was awarded a rating of D+.

Metro yesterday announced a 46 per cent increase in third-quarter net profit to 939m pesos (US$36m).

The banks, which have previously been awarded separate credit ratings of on average Ba3 by Moody's, had good intrinsic financial strength but were still hampered by an unstable operating environment and vulnerable business franchises, the agency said.

"The Philippines is in a stronger position to sustain steady growth in the future," Moody's said. "However, structural weaknesses, such as a low savings rate, poor infrastructure and wide income gaps, could impede further progress."

ASIA-PACIFIC NEWS DIGEST

Nippon Credit Bank lifts profits forecast

Nippon Credit Bank, one of Japan's weakest financial institutions, said yesterday strong profits from the country's soaring bond market had helped it revise upward its earnings estimates for the six months to end-September.

NCB, a long-term credit bank, estimated recurring profit – before extraordinary items and tax – had reached Y18bn ($176.7m), on revenue of Y680bn. In May, the bank forecast recurring profit of Y8bn and revenue of Y530bn. After-tax profits are estimated at Y6.5bn, unchanged from the May estimate.

The surge in revenue is largely the result of a strong bond market in the half-year period. Fears of continuing economic stagnation have forced bond yields sharply lower, raising prices and producing much-needed capital gains for the country's banks. Unofficial estimates suggest the six-month period could prove to have been one of the best ever for banks' operating profits. The extra earnings should help them to step up bad loan write-offs.

NCB has one of the highest proportions of non-performing assets in its loan book – the bank itself puts the figure at more than 5 per cent of total loans – but the opacity of Japan's accounting rules means the actual figure is likely to be more than 10 per cent. *Gerard Baker, Tokyo*

Australis remains suspended

Shares in Australis, the Australian MDS/satellite broadcaster which is planning to merge with Foxtel, the cable-based pay-TV consortium, remained suspended yesterday "pending the outcome of further discussion with the Australian Stock Exchange . . . concerning the provision of additional information in relation to the proposed merger".

The company announced the deal on Wednesday night, saying it would acquire 100 per cent of Foxtel, which is owned jointly by Mr Rupert Murdoch's News Corporation and the government-owned Telstra telecommunications group, and issue securities to these organisations so that they would end up with interests of 28.75 per cent each in the economic entity. However, few other details were given beyond these outline arrangements.

Separately, Standard & Poor's, the US rating agency, said it had placed Australis on credit watch with a view to a possible upgrade. *Nikki Tait, Sydney*

ANI warns of earnings decline

ANI, the Sydney-based engineering group which also owns the Aurora business in the UK, warned it expects earnings for the current half-year to be "significantly lower" than in the same period a year ago. It said "poor results" from the ANI Bradken and Holter divisions were expected to contribute to a 35 per cent decline in earnings before interest and tax.

However, it added that prospects for the second half were more encouraging. "It is expected that the profits before tax for the full year will be of a similar magnitude to those reported in the 1994-95 financial year," it said. *Nikki Tait*

Strong sales rise at Indian group

India's Bharat Heavy Electricals posted a strong advance in first-half sales to end-September, from Rs13.79bn a year ago to Rs17.76bn ($509m) this year. The chairman was quoted by United News of India as saying pre-tax profits rose 30 per cent year-on-year, but he did not give details. *AFX News, Bombay*

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BBV on target with 26% advance in third quarter

By Tom Burns in Madrid

Banco Bilbao Vizcaya (BBV), which has the largest deposit base among Spain's private banks, has shown its earnings muscle, recording a 26.3 per cent increase in pre-tax profits to Pta107.4bn ($872.7m) for the first nine months.

The results suggest that BBV is on line to top its Pta139.6bn pre-tax profit target for the year, which is 21.5 per cent above the 1994 pre-tax figure. The target was set under its "1,000 day plan", launched to ensure double-digit growth in earnings per share and dividends through to 1997.

"Our third-quarter results reflect our expectations for the end of the year," Mr Luis Bastida, BBV financial director, said yesterday. "We are consolidating our presence in the domestic sector and gaining market quota in all our business lines."

The bank's increased strength was underlined by a 16.5 per cent year-on-year surge in its loan portfolio to Pta5.5bn and one of 15.9 per cent in its on-balance sheet customer funds to Pta8,100bn.

Attributable profit after minorities was up by 16.2 per cent to Pta55.6bn, and interest income grew 3.1 per cent – compared with the first nine months of last year – to Pta242bn.

In the first half of this year BBV raised its pre-tax profits by 29.7 per cent and its continued strong profitability after nine months had been anticipated by analysts.

"We are definitely seeing BBV at the upper end of the Spanish banking range in terms of delivering earnings growth," said Ms Nicola Mann of Smith New Court in London.

BBV's performance has heightened its rivalry for leadership of the domestic banking sector with Banco Santander which is due to announce its third-quarter results next week.

In the first half Santander's pre-tax consolidated group profits dropped year-on-year by 2.74 per cent to Pta67bn, a fall that was blamed on its efforts to absorb Banco Español de Crédito (Banesto), the troubled banking group which it bought for Pta260bn in 1994.

Mr Pedro Luis Uriarte, who conceived BBV's "1,000-day plan" shortly after he was appointed chief executive a year ago, aims to make BBV the best alternative among Spanish banks within three years.

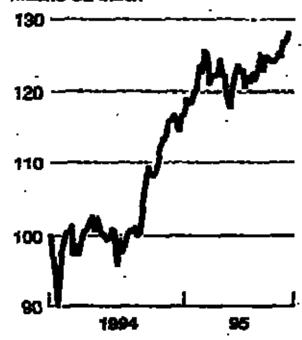
Santander has countered with the claim that it is ahead of schedule on its Banesto takeover strategy and it will break even on its investment in 1997 instead of in 1998.

BBV's third-quarter results consolidated a 50 per cent stake in Peru's Banco Continental, which BBV acquired for $110m in March, and its $350m investment in May to gain control of Mexico's Probursa bank.

The acquisitions raised the Spanish banking group's overall costs from 2.4 per cent to 8 per cent but Mr Bastida said the bottom line impact of the consolidation had been "neutral".

BBV

Share price relative to the Madrid SE Index



Source: FT Extel

Crédit Foncier struggles with dependency culture

Andrew Jack on the loan company's restructuring

For a former civil servant appointed by the French government to run an organisation that distributes state-subsidised loans, Mr Jean-Claude Colli pays a remarkable amount of attention to his group's share price.

But Mr Colli is the head of Crédit Foncier de France – no simple public sector enterprise – and the fluctuations in its shares have given him good reason for concern. "It has been my annus horribilis," he remarks with a smile.

Crédit Foncier is in a highly unusual position. Established by law in 1852, it is now classified as a "specialist financial institution". That gives the government the power to appoint the chairman or "governor", as he is called, who has authority to over-rule the vote of his board.

Yet the French state has never held either direct or indirect control of the shares of the group which is quoted on the Paris bourse. And until the 1950s, Crédit Foncier was not even involved in state-backed loans.

The bank was set up by Napoleon III to reduce the excessive interest rate being imposed on farmers who took out loans. While the word "foncier" means "land" in French, that did not stop the business switching into property loans as the country's agricultural population diminished.

About 40 years ago, the shareholders had little hesitation in approving an even more radical decision: to turn the bank into a vehicle to distribute property loans largely for housing at subsidised rates, with the risk underwritten by the state. "It became a big machine for generating dividends," says Mr Colli.

Since then, Crédit Foncier has relied on supplying – normally as a monopoly provider – an alphabet soup of government-backed loans at preferential rates: the PAP, PLA, PLI, PLI-DOM and others.

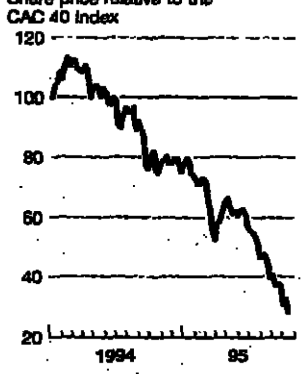
It also offers the PAS, home loans without subsidy. These are attractive because their classification for accounting purposes has far less impact on international solvency requirements than conventional loans.

All banks can offer the PAS, but Crédit Foncier's expertise has helped it win 25 per cent of the market this year. Mr Colli, however, expects the share to fall to 20 per cent in 1996.

Jean-Claude Colli: "It has been my annus horribilis"

Crédit Foncier

Share price relative to the CAC 40 Index



Source: FT Extel

But dependency has its price. When two months ago the French government decided it was going to abolish the PAP, another form of state-subsidised domestic mortgage, Foncier's share price dropped sharply.

The share price had already been falling for some months as the prospects for subsidised loans began to look threatened, and its ventures into property development – like those of many of its peers – forced high provisions.

On Wednesday last week, the authorities of the French stock market added a new humiliation when they knocked Crédit Foncier's shares out of the prestigious CAC-40 index of leading quoted companies.

Mr Colli is not ignoring the troubles, nor does he shy away from the criticism of the bank. For the first time in the institution's history, he held a meeting for financial analysts this year to outline his plans for the future.

There is, he says, "confusion about what Crédit Foncier will become. My priority is to put in place a plan of adaptation."

While he admits the withdrawal of PAPs is a significant blow, he believes the stock market's reaction to the challenges facing the bank has been far too negative.

He stresses that for nearly a decade – since he became deputy governor – he has been diversifying Crédit Foncier away from state-subsidised loans. Over the next few years, he expects the amount provided through the government to be perhaps 5 per cent of all credits.

In the short-term, he is claiming a significant victory in the battle for handling loans at zero interest, an initiative introduced by the government in its most recent budget.

The commercial banks successfully argued that they should all be allowed to distribute the loans, including the profitable top-up loans which are at commercial rates, and that the French post office should not. The post office saw the loans as a new way of attracting business.

But the post office – which has long discussed collaboration with Crédit Foncier – has now signed an accord with Mr Colli under which it can refer clients inquiring about zero-rate loans exclusively to the bank.

Mr Colli estimates that if it were acting alone Crédit Foncier would have captured less than 10 per cent of the market for such loans but after the Post Office agreement "anything is possible".

Meanwhile, Mr Colli says he has written to all French banks offering them Crédit Foncier's experience in managing the zero-rate loans they sell to clients – and he has already had positive responses.

He is also considering introducing variable rate mortgages – which represent a very small proportion of the French home loans market – and is discussing with the Treasury new types of loans for building rental property, and for rehabilitating old Parisian offices which are unsuitable for use.

"I know the ingredients for our restructuring," he says. "I just have not yet got the taste of the sauce." But judging by recent performance of the group's shares, the market clearly believes the taste may be bitter.

Berlusconi set to complete sale of Mediaset stake

By Andrew Hill in Milan

Mr Silvio Berlusconi, the media magnate and former Italian prime minister, is poised to complete the L1,800bn ($1.1bn) sale of a minority stake in Mediaset, the sub-holding company for his media interests, in the run-up to a planned flotation of the company next year.

A group of international investors headed by Kirch, the German media group, agreed in July to buy a 25 per cent stake in Mediaset, which should be diluted to 20 per cent by a subsequent increase in capital. The new investors have already paid a deposit for the shares, and Fininvest said yesterday they should pay the balance before the end of this month.

Few details of the deal were released in July, when Mr Berlusconi agreed to sell the Mediaset stake to Kirch, Richemont, the Swiss-based company controlled by the Rupert family of South Africa, and Prince al-Waleed bin Talal bin Abdul of Saudi Arabia. The aim was to reduce the conflict between his business interests and his political ambitions and to cut debt at Fininvest, the private holding company which owns Mediaset.

Two Italian banking groups – Imi and Banca di Roma – are now understood to be working on plans for the sale of a further stake in Mediaset. A consortium of banks is expected to buy some shares directly from Fininvest itself and subscribe to an increase in capital before the end of this year.

The banks' direct investment in Mediaset is likely to be less than the 20 per cent envisaged in July, but the aim is they should also commit themselves to underwriting a further increase in capital and stock market flotation of Mediaset, which Fininvest hopes to carry out by June 1996.

The restructuring of Mr Berlusconi's television and publicity activities has also generated interest from other potential investors, including Vebacom, the telecoms group jointly owned by Veba, the German industrial conglomerate, and Cable & Wireless of the UK.

Vebacom had considered sharing the 10 per cent stake in Mediaset which Kirch is committed to buying. However, it is understood Vebacom is no longer interested in pursuing a direct investment in television.

Separately, the Italian arm of Cable & Wireless Europe, another C&W/Veba joint venture, is talking to Fininvest about using the group's television transmission infrastructure to develop a second mobile telephone network in Italy, as part of plans to create a city-based "personal communications network" operating alongside existing mobile phone services.

GAN halves losses in first six months despite charge

By Andrew Jack in Paris

Groupe des Assurances Nationale, the French state-owned insurance group, yesterday more than halved its losses to FFr387m ($77.6m) for the first half of the year.

Turnover rose from FFr63bn to FFr76.3bn, and the balance sheet total from FFr838.8bn to FFr821.6bn. French life assurance profits almost doubled to FFr627m from FFr14m, and losses from non-life business fell from FFr728m to FFr359m.

Business from outside France rose sharply – including in the UK in spite of the difficulties affecting the sector – with total net income rising from FFr42m last time to FFr221m.

However, GAN took a charge of FFr1.3bn as part of its restructuring plan, including provisions in UIC, the property development arm of its banking group CIC. Provisions as a proportion of doubtful loans in UIC rose from 53 per cent to 55 per cent during the period.

Mr Jean-Jacques Bonnaud, chairman, reiterated his objective of GAN returning to profitability from the 1996 financial year, and producing a 10 per cent return on shareholders' funds for 1997-98.

He said the new French accounting regulations for insurance companies had had little effect on GAN, because it had already taken substantial provisions, totalling FFr14bn during 1993 and 1994, as part of its restructuring.

Under the new rules, the group made provisions of FFr1.7bn against property and share investments, and allowed FFr800m in its contribution to a pension scheme being introduced across the insurance sector.

Mr Bonnaud said UIC would continue a programme of shrinking its loan portfolio by FFr7bn-FFr8bn over three years, and that at group level GAN would cut non-strategic investments by FFr4.8bn in three years.

EUROPEAN NEWS DIGEST

Philips to increase BSO/Origin stake

Philips, the Dutch electronics group, is to increase its 41 per cent stake in BSO/Origin, the Dutch software consultancy, to an unspecified majority holding by transferring its own information technology services business to the company.

The new company, to be called Origin, will have annual turnover of about Fl 2bn ($1.25bn) and a workforce of 10,000, making it one of Europe's largest providers of computer services. It is expected to be established in early 1996.

Philips' consultancy business, Philips C + P, specialises in communication and data processing, while BSO/Origin, which had 1994 turnover of Fl 816m, concentrates on tailoring software to companies' needs.

The deal will enable Philips and BSO/Origin to respond to the growing need for integrated computer services, including linking up networks of computers within companies. The two companies declined to give any financial details. Further information on the deal is expected to be released in November, BSO said. BSO/Origin and Philips work jointly in several countries, including the UK, Sweden and Mexico. The new company will have operations in 27 countries.

Ronald van de Krol, Amsterdam.

Dyno Industrier advances

Dyno Industrier, the Norwegian explosives and chemicals manufacturer, reported a rise in net profits from NKr283m to NKr287m ($45.8m) for the first nine months. Sales increased from NKr7.29bn to NKr7.85bn.

Net profit included an extraordinary gain of NKr200m on the sale of its petrol station division, and an extraordinary cost of NKr107m for the settlement of US anti-trust charges of price-fixing in chemicals. It also took a NKr90m charge in the third quarter for restructuring its explosives division.

The company said demand in its main markets had been rising steadily for the past couple of years, and no significant changes were expected in the level and composition of demand in the fourth quarter.

AFX News, Oslo

Safra Republic rises 7%

Safra Republic, the Geneva-based private banking group controlled by Mr Edmond Safra, reported a 7 per cent rise in net income in the third quarter to $41.2m, or $2.33 a share.

Income from interest rate business, commissions and trading were all ahead, leading to a 12.4 per cent rise in operating income to $83.8m. Pre-tax profit increased 7.9 per cent to $43.9m after a $3.3m charge for the depreciation of the US dollar against European currencies.

For the nine months, net income was flat at $120m, or $6.77 a share. At September 30, the group had $16bn under management, up from $13.1m a year earlier. Consolidated assets at September 30 were $14.2bn and shareholders' equity was $1.37bn.

Ian Rodger in Zurich

N American price boost for Albert Fisher

By David Blackwell

Better prices for fresh produce in North America helped Albert Fisher Group, the food processor and distributor, to push annual profits before exceptional items up 14 per cent.

However, progress was restrained by lower operating profits in the seafood division, even though turnover almost doubled following the acquisition in April 1994 of Rahbek, the producer of chilled and frozen seafood dishes.

Pre-tax profits in the year to August 31 were £39.5m ($61m) before an exceptional charge of £8.4m, against £34.8m previously. The exceptional charge related to discontinued businesses and included £5m of goodwill previously written off.

The final dividend is maintained at 1.9p, giving a total for the year of 3.75p, compared with 3.71p. Earnings per share were 4.08p (3.72p) before exceptionals, or 2.9p after.

Mr Stephen Walls, chairman, said that "by any definition it has been a year of considerable progress". The group had been successfully restructured, and "with all the building blocks in place we see ourselves with an abundance of growth opportunities".

Turnover from continuing operations advanced from £1.34bn to £1.62bn, with the bulk of the increase from organic growth.

Operating profits from the North American produce division jumped from £8.4m to £16.9m, on sales up from £483m to £575m. The group was able to exploit its size to procure supplies after shortages caused by floods in California and hurricanes in Texas. The weather factor boosted profits by $2.5m to $3m, but most benefits came from better produce prices.

Seafood sales rose from £166m to £305m, but operating profits were slightly down at £7.5m, because of strong currencies in the Benelux countries and Denmark, as well as higher prawn and plaice prices. The group said the tough markets and low prices last year would lead to some consolidation in the industry, and it expected "significant progress" this year.

European produce profits were flat at £10.7m, on sales slightly ahead at £496m, hampered by results from Germany. European Food processing profits rose 6 per cent to £12.4m on sales of £246m.

Profits could emerge well up or well down on the average forecast of £43m. As long as the dividend is maintained, the shares will give a yield of 9 per cent.

Decision to pursue Eagle Star through courts resulted in £14m provision

Mowlem chief executive resigns

By Andrew Taylor, Construction Correspondent

John Mowlem, the troubled construction group, yesterday announced it had parted company with Mr John Marshall, its chief executive, just four weeks after reporting substantial losses.

He was promoted to chief executive last year when Mowlem was forced to make a £63.1m rights issue after it revealed it would breach its loan covenants.

However the group has continued to suffer and last month announced a £31.8m loss in the six months to the end of June.

That figure included a £17.8m charge to cover restructuring and a £14m provision to settle its long-running legal battle over the Carlton Gate housing development in west London.

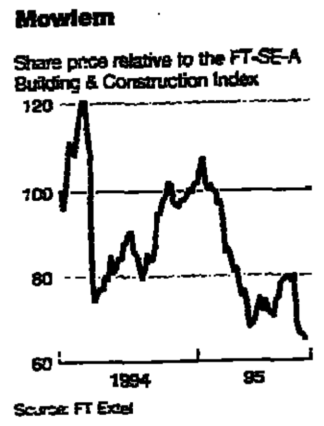
Mr Marshall was closely associated with the decision to pursue legal action against the developer, Eagle Star the insurer. The action resulted in Mowlem apologising unreservedly to the insurance group and Phippen Randall & Parkes, the architects, and paying their legal costs.

Mowlem last month announced plans to sell or close underperforming subsidiaries, including its French scaffolding operation and its German construction business, BauTec. It also proposed to slim its UK engineering division. Some 700 jobs were expected to be lost in the restructuring.

In the interim statement Mr Marshall said the company "planned to cut the throats" of its loss-making businesses. He said the group was also negotiating with at least two serious buyers for its 90 per cent stake in London City Airport.

John Marshall: left after discussions with board

Mr Kenneth Minton, Mowlem's chairman said: "Like everybody else we have been suffering from the downturn in the UK construction activity. But we have had other problems as well. After discussing these with the board, Mr Marshall decided to resign."



Mr Marshall, who had been with Mowlem for 11 years, is being replaced by Mr John Gains, a director since 1992 and now responsible for construction activities.

Mr Marshall is expected to receive a pay-off of about £200,000.

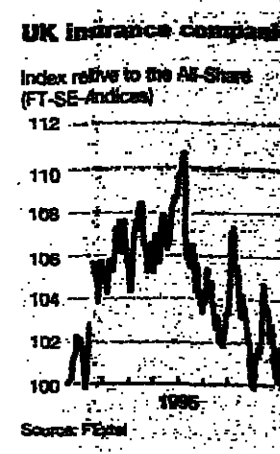
LEX COMMENT

UK insurers

Talk of a merger in Britain's crowded insurance market may be an old chestnut but that has not stopped it finding new life. If consolidation in the banking sector is so good for shareholders, the logic runs, why not insurance as well?

In fact, the businesses are very different. A banking merger offers the prospect of big cost cuts through rationalising branch networks. Insurers do not have these networks; a merger would leave their distribution costs – commissions paid to brokers – untouched. Only the direct costs of managing the insurance business could be seriously cut. But these should not be ignored: since underwriting profits represent a tiny proportion of income, cost cuts could have a dramatic effect on the bottom line.

The non-life insurance business is notoriously cyclical. The fact that the market is overcrowded by international standards makes this worse, encouraging drastic rate-cutting in the downswing of the cycle. By rationalising the sector, mergers would make



that les likely. Cutting costs could aso make the difference beween profit and loss when th cycle hits bottom.

Whethr mergers will materialise rmains to be seen. The bigcomposite insurers have peformed well recently and ma feel little pressure for chnge. If so, they should beware of hubris. Strong erformance at the top of th cycle is not necessarily a ign that the bottom will be less grim. They should t thinking about consolidatio before the downturn hit.

Yorkshire Electricity plans another special dividend

By James Harding

Yorkshire Electricity announced its second special dividend in less than a year yesterday, demonstrating the pressure on regional electricity companies to put cash in shareholders' hands.

It is spending £180m ($279m) on a 100p a share dividend, but the pay-out is smaller than the stock market expected and the shares fell 15p to 899p.

Mr Malcolm Chatwin, chief executive, said the payment, which follows a 90p special dividend in January, "underlines our intention to deliver excellent returns to investors".

The payment, to be made in January, was accompanied by a pledge to increase aggregate dividends by 10 per cent this year and next. Yorkshire also promised to distribute to shareholders most of its interest in the National Grid, jointly owned by the recs and due to float in December.

Yorkshire forecast that the special dividend would lift its gearing to 75 per cent at the financial year end in March. Gearing would briefly touch 100 per cent next year when the company makes exceptional tax payments incurred in the demerger of the grid.

Mr Angelos Anastasiou, analyst at Panmure Gordon, who had forecast a dividend of 150p, said the offer was "slightly lower than expected", but said future demerger and dividend payments still made it a "pretty good deal for shareholders".

Eurotunnel hot seat for Bill Dix

By William Lewis

Eurotunnel, the Anglo-French operator of the Channel tunnel, has appointed a new chief commercial officer following the departure of Mr Christopher Garnett last March.

Mr Bill Dix, who has been running his own business since 1993, takes over from Mr Bill Mackenzie who was acting commercial director.

Mr Mackenzie is expected to return to his normal post in the company's corporate finance department.

In September, ahead of Eurotunnel's decision to suspend interest payments on £8bn of debt, several of the company's 225 banks expressed concern that Eurotunnel had failed to appoint a commercial director. Mr Dix will be responsible for all of Le Shuttle's commercial and retail operations and report directly to Mr Georges-Christian Chazot, chief executive.

The long-awaited announcement did not impress everyone in the City. One analyst said that the appointment to such a senior post of someone with Mr Dix's level of experience "smacks of desperation".

Royalties help to net Elan I£24m

By Daniel Green

Growth in fees and royalties helped net profits at Elan, the healthcare company, rise from I£19.6m to I£24m ($38.58m) for the six months to September 30.

Sales by the company, based in Athlone, Ireland, edged up from I£59m to I£60.1m, but the company recorded much faster growth from research revenues, from I£10.7m to I£11.7m and royalties, from I£18.9m to I£21.7m.

The product sales division was hit by the sale of some nutrition product lines and lower shipments of the heart drug Cardizem SR.

Mr Donal Geaney, chief executive, expects "renewed growth in product sales in the second half following the approval of products in the final stas of the regulatory process."

Elan, tich is quoted in New York, spialises in drug delivery – tl repackaging of existing dru into forms that are better aorbed into the body.

Its joir venture companies showed ales rises of 25 per cent, wh the Taiwanese venture doi particularly well.

In reonse to a warning from th US Food and Drug Adminiration about Elan's plant inleorgia, the company said it had an independent audit wch demonstrated certified copliance with current good mufacturing practice. The FDhad scheduled a reinspection.

Elan isterday announced a new wodwide head of regulatory copliance, Mr Ronald Karzine from Swiss drugs companCiba.

RESULTS

	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Airflow Streamlines ...... 6 mths to Aug 31	51.3	(43.5)	2.96	(0.915)	22.91	(6.87)	3	Jan 3	2	-	7
Albert Fisher ...... Yr to Aug 31	1,650	(1,424)	31.1♠	(34.8)	2.9†	(3.34)	1.9	Jan 5	1.9	3.75	3.75
Aminex $ ...... 6 mths to June 30	5.86※	(5.9)	0.35L	(0.79)	0.87L	(1.04)	-	-	-	-	-
Carlisle ...... 6 mths to June 30	2.61	(2.87)	3.5L♠	(1)	2.2L†	(1.2)	nil	-	0.25	-	0.5
Chesterfield Props ...... 6 mths to June 30	17.8	(16.5)	3.72	(4.91)	8.78	(11.9)	4.4	Dec 29	4.4	-	13
Elan ♣ ...... 6 mths to Sept 30	60.1	(59)	24.2	(19.8)	0.67	(0.55)	-	-	-	-	-
Ferguson Intl ...... 6 mths to Aug 31	104.4	(80.5)	5.63♠	(6.01)	8.5†	(11.9)	4.5	Dec 6	4.5	-	13.25
Formscan Φ ...... Yr to July 31	5	(2.74)	0.902	(0.483)	7.78	(3.98)	2	Jan 31	-	2	-
Gleeson (MJ) ...... Yr to June 30	191.8	(174)	8.45	(8.91)	52.66	(58.79)	11.45	Jan 10	10.81	15	14.16
Kenmare Resources ♣ ...... 6 mths to June 30	-	(-)	0.026L	(0.03L)	0.03L	(0.04L)	-	-	-	-	-
Ramco Energy § ...... 6 mths to June 30	3.61	(2.4)	0.61	(0.081)	2.16	(0.33)	-	-	-	-	1
Wescol ...... Yr to July 31	24.3	(18.3)	0.785	(0.26)	2	(1)	0.5	Dec 11	0.25	0.75	0.25

Investment Trusts	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Fidelity Special ...... 11 mths to Aug 31	111.76	(-)	0.485	(-)	1.32	(-)	0.5	Dec 20	-	1‡‡	-
Personal Assets ...... 6 mths to Oct 31	-	(-)	-	(-)	-	(-)	110	Nov 17	100	-	200
Shirescot ...... 9 mths to Sept 30	159.5	(144.7♦)	0.891	(0.733)	4.59	(4.52)	1.25‡	Dec 29	1.2	-	5.4

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. ♠After exceptional charge. †On increased capital. $US currency. ※Net income. ♣Irish currency ΦAim stock. §USM stock. ‡‡Includes special of 0.5p. ♦At December 31. ‡Third interim; makes 3.75p to date.

Dobson Park accused of complacency

By Tim Burt

Harnischfeger Industries, the US mining equipment manufacturer bidding for Dobson Park Industries, yesterday accused its UK rival of complacency over competition and ignoring customer demands for integrated suppliers.

The Milwaukee-based group, which has offered 110p a share for Dobson Park, said the company had underestimated the potential threat to Longwall International – its roof supports and conveyors business – from overseas producers such as Marmon Group of the US and manufacturers in emerging countries.

It also questioned the future for Longwall once such competitors offered fully integrated product ranges.

Dobson Park, which has rejected Harnischfeger's £172m offer, is today expected to rebut the criticisms in a detailed defence document.

Scottish Amicable

Scottish Amicable is this week launching an operation to sell life assurance and critical illness plans in Germany through independent advisers.

The company is using a provision in the third European life directive allowing life companies to manufacture products in one European Union state and sell them in another.

Standard Life last month announced plans to enter the German market early next year.

Independent Rado raises £10m in placing on Aim

By Christopher Price

The largest capital-raising exercise so far on the Alternative Investment Market was announced yesterday when Independent Radio Group raised £10m through a placing.

The move will give a boost to the fledgling market, which before yesterday had raised just £30m for companies since its inception in June.

Indepelent Radio has been formed bformer executives of Trans Wld Communications, the radioolding group bought by Emapust over a year ago. The ne company said it intended use the proceeds to acquire "nderdeveloped" commercial ations and apply for new licees.

The sres, placed at 100p, went to 17p premium at the end of thfirst day's trading.

Personal contact oils the wheels

Robert Corzine on the secret of Ramco's success in Azerbaijan

Only a dim light illuminates the room in a rest home outside Baku, the capital of Azerbaijan. The building, which once served as the summer house of one of the early millionaires from Azerbaijan's first oil boom in the late 1800s, is an appropriate venue for an informal discussion between a western oil man and an ailing Azeri oil official.

The conversation ranges from the official's health to the changes sweeping through the Azeri oil industry, until a few years ago the backwater of the Soviet energy sector but now the focus of frantic competition between some of the world's biggest international oil companies.

The executive is concerned that his small company, one of those pioneering the opening up of the Azeri oil industry to western investment, is able to maintain a competitive position in a country increasingly dominated by giant oil concerns.

For Ramco Energy, the small Aberdeen-based oil services company with a 2.08 per cent holding in one of the largest international oil consortiums ever formed, the personal relationships with Azeri officials that it has forged over the past six years are crucial to future success.

Last week Ramco passed a milestone in its transformation from an oil services company into a fully-fledged oil group. The decision by the Azerbaijan International Operating Company to go ahead with "early" oil production from its giant fields in Caspian Sea means revenue should begin to flow sometime in 1997.

In the meantime the company will continue to receive payments from Pennzoil, the US independent which it introduced into the consortium. Its interim results published yesterday showed a $1.25m (£800,000) payment for the first half. A similar amount will be paid in the current half, with a final payment of $8m due at the end of 1996.

Some analysts wonder, however, if a small company such as Ramco can repeat the success it has achieved in Azerbaijan. After all, no other small independent exploration and production company has so far followed it into Azerbaijan, which many consider the preserve of the international majors.

Mr Steve Remp, the chief executive who has made more than 60 trips to Azerbaijan since 1989, believes Ramco does have a continuing role to play in the country. "Small companies can often be more responsive to the country's needs," he says.

An example is their ability to develop smaller reserves that may not interest larger companies.

Although Ramco is keen to take part in new, high-potential offshore areas being opened to study, it is also pursuing a separate agreement to develop the proven reserves of the Muradhanli onshore field.

Oil from such a development could be exported via a newly-approved pipeline route to neighbouring Georgia, or by rail if capacity in the pipeline was not available, say company executives.

An alternative could be a swap arrangement with Iran, says Mr Sven Bertram, Ramco's finance director.

For the time being the company has no plans to extend its oil interests beyond Azerbaijan. After all, say executives, their competitive advantage is in their Azeri contacts.

US connection helps turnover

Net profits at Ramco Energy, the small Aberdeen oil group with interests in Azerbaijan, surged from £61,000 to £415,000 in the six months to June 30. Operating profits were £585,000, against £268,000, on turnover of £3.61m (£2.4m) boosted by a $1.25m (£800,000) payment from Pennzoil, the US oil company which Ramco brought into a consortium developing three giant oil fields in the Caspian Sea. Pennzoil is also carrying Ramco's share of the costs of the $8bn project.

Ramco's losses from associated undertakings were reduced sharply from £117,000 to £9,000. Earnings per share rose sharply to 2.16p (0.33p); as usual no interim dividend is payable.

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RECRUITMENT

JOBS: The Channel Tunnel is encouraging commuting between countries

Working out where to live

The growing attractions of "Euro-commuting", travelling to work between European countries in preference to expatriate job transfers, was highlighted in a report this week* from Price Waterhouse, the accountancy firm.

The report also noted that many UK companies were considering or had already begun to treat jobs within Europe as relocation rather than expatriation packages. The difference between the two is that relocation – normally used when transferring staff within a country – puts the employee on a local salary structure with limited financial assistance for schooling and housing. An expatriate deal usually involves a much more generous package of allowances, including cost of living premiums.

The trend towards commuting between countries, usually either weekly or bi-weekly, is still, perhaps, at the experimental stage. Nearly half of the 180 companies surveyed for the report said they had considered allowing employees to commute on a weekly basis as an alternative to an expatriate posting.

Of those companies which had introduced such arrangements, 91 per cent rated it as either very or quite successful. Less than 10 per cent said the idea had failed.

The main worries were that commuting between countries could be stressful if prolonged, and prevented an individual settling in the host country. On the plus side, it allowed employees' partners to follow their own careers without disruption and did not interrupt the schooling of children.

Since domestic concerns, dual career problems and children's education are the most commonly cited reasons for refusing a foreign assignment, commuting can begin to appear a viable alternative. Some companies had found also that it could be a cheaper alternative to a full expatriate assignment.

Price Waterhouse produced some costing comparisons between a a full one-year expatriate assignment to France compared with the cost of commuting from the UK by train. Each involved an individual who was married with two children and on a base salary of £44,000.

The total assignment costs for the commuter was £89,305 compared with £145,408 for the expatriate. The biggest additional costs for the expatriate involved extra housing costs, education, relocation, air fares and storage and a much larger tax payable on benefits. The only additional cost falling to the commuter that did not fall to the expatriate was Channel tunnel fares totalling £6,000.

In spite of these figures, the report found that the number of expatriates is expected to continue increasing.

It is not surprising, therefore, that the one message coming out loud and clear from the survey is that the pressure is on to control the costs of expatriate deals. Since the survey was last carried out two years ago, two thirds of the companies questioned had taken steps to reduce the costs of assignments, notably in either pay, living cost allowances or incentive premiums. Nearly one third of the companies, for example, were deducting a sum to recoup part of the cost of housing.

This means there is all the more reason for employees to be sure they are getting a deal which makes the assignment worthwhile.

The cost of living information in the main table (right) should help to ease the problem. It can only show a sample of the 140 cities in 127 countries covered in the PE-International Cost of Living Survey**. The exchange rate is that current on June 1 1995. To update the index, divide the exchange rate by the new rate and multiply the result by the table's index figure.

To help those outside London make comparisons, The Reward Group has come up with a few differentials from its latest UK Regional Cost of Living Report†. To calculate the difference, an allowance will need to be made for the regional variations.

The figures in sterling (shown in the smaller table, left) are the required incomes for a family of four living in a three-bedroomed semi-detached house which they own with a mortgage. The third column shows how much less than living in Greater London it costs in percentage terms.

The international cost of living table is drawn from PE's newly updated index of six European cost of living indices which are averaged, to minimise "home" bias. It is based on the consumption needs of a married couple with two school-age children. The index excludes house prices and taxation levels. A full package, inclusive of those can be obtained from PE, price £650.

UK Living Costs

		%age compared to Greater London
Gr'ter London	£23,451	
Edinburgh	£20,623	-12
Leeds	£18,827	-20
Manchester	£18,635	-21
Nottingham	£17,348	-26
Birmingham	£19,849	-15
Southampton	£19,506	-17
Belfast	£16,401	-30

Place	Living cost index	Inflation %	Exch'ge rate £1 =	Place	Living cost index	Inflation %	Exch'ge rate £1 =	Place	Living cost index	Inflation %	Exch'ge rate £1 =
Japan, Tokyo	174.75	0.40	133.569	Israel, Tel Aviv	103.49	11.00	4.831	USA, Los Angeles	89.79	3.10	1.607
Switzerland,Geneva	132.33	1.60	1.835	Saudi Arabia, Jedd.	102.98	0.50	6.027	Nicaragua, Managua	88.65	88.65	11.954
Argentina, B A	123.10	4.60	123.10	Italy, Rome	101.41	5.20	2642.214	Bangladesh, Dacca	88.32	5.00	63.956
Norway, Oslo	122.35	2.70	9.908	Netherlands A'dam	100.87	2.30	2.487	Thailand, Bangkok	87.50	5.40	39.555
Denmark, Cop'hagen	121.69	2.40	8.689	London	100.00	3.30	1.00	Canada, Toronto	87.27	2.50	2.204
Germany, Munich	118.65	2.30	2.222	Peru,Lima	98.98	13.70	3.605	Cyprus, Nicosia	86.77	5.60	0.707
Germany, Frankfurt	117.12	2.30	2.222	UAE, Dubai	98.65	1.70	5.902	Australia, Sydney	86.72	3.90	2.234
Hong Kong	115.75	9.60	12.43	Spain, Madrid	98.51	5.20	193.074	Canada, Montreal	86.12	2.50	2.204
Germany, Bonn	115.23	2.30	2.222	USA, Washington	98.25	3.10	1.607	Malaysia, KL	85.86	3.30	3.954
Grenada, St George's	114.98	2.60	4.339	UAE, Abu Dhabi	97.98	1.70	5.902	Tunisia, Tunis	84.99	5.30	1.495
Nigeria, Lagos	113.83	60.20	35.17	Irish Republic, Dub	97.45	2.50	0.977	India, New Delhi	83.99	9.70	50.445
Finland, Helsinki	113.39	1.70	6.833	Algeria, Algiers	96.98	35.50	73.903	Pakistan, Islam.	83.65	14.30	49.717
Belgium, Brussels	113.39	1.70	45.669	Portugal, Lisbon	96.52	4.80	233.89	Mexico, Mex. City	83.11	20.40	9.875
Italy, Milan	112.73	5.20	2642.214	Indonesia, Jakarta	95.82	10.00	3581.874	Hungary, Budapest	82.64	29.20	193.645
Korea, Seoul	110.66	5.10	1222.16	Jamaica, Kingston	95.65	40.60	52.226	Canada, Ottowa	81.95	2.50	2.204
Sweden, Stockholm	110.15	2.90	11.668	New Zealand, Well.	94.48	1.80	2.406	Phillipines, Man.	81.89	8.20	41.459
Netherlands, Hague	109.98	2.30	2.487	Chile, Santiago	93.50	8.30	603.005	USA, Houston	80.49	3.10	1.607
China, Beijing	109.98	20.70	13.348	Greece, Athens	92.73	9.90	361.128	Panama, Pan. City	79.79	1.40	1.607
France, Paris	109.59	1.60	7.833	Bahrain, Manama	92.65	1.60	0.606	Costa Rica,S. Jose	78.34	17.30	283.497
Singapore	108.82	2.30	2.234	Sri Lanka, Colombo	92.65	4.20	79.415	Egypt, Cairo	77.73	12.00	5.496
USA New York	107.63	3.10	1.607	Poland, Warsaw	92.25	33.10	3.727	Nepal, Kathmandu	77.24	9.60	80.974
Ivory Cst, Abidjan	107.23	5.60	783.288	Kenya, Nairobi	92.04	12.20	87.177	Zimbabwe, Harare	76.74	21.20	13.633
Syria, Damascus	106.32	8.30	67.042	USA Chicago	91.66	3.10	1.607	S. Africa, Jo'burg	74.96	10.20	5.895
Austria, Vienna	105.11	2.60	15.625	Paraguay, Asuncion	91.65	20.80	3153.624	Venezuela, Caracas	74.55	71.70	272.835
Luxembourg	104.09	2.30	45.669	Jordan, Amman	90.98	4.10	1.125	Czech Rep, Prague	70.96	10.20	41.691

Richard Donkin

A Review of European Policy and Practice, Price Waterhouse International Assignment Services, tel 01703 330077, price £350.

****PE-International, Park House, Wick Road, Egham, Surrey, TW20 OHW, tel 01784 476280, fax 01784 476369.*

†The Reward Group UK Regional Cost of Living Survey is £170, Reward Group, Reward House, Diamond Way, Stone Business Park, Stone, Staffordshire ST15 OSD.

TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT

BANKING FINANCE & GENERAL APPOINTMENTS

Marketing Manager

Financial Services

London or Peterborough **c.£50,000 package + benefits**

The Thomas Cook Group is a world leader in the provision of financial services for people on the move. Thomas Cook has the world's largest retail foreign exchange network, providing services direct to consumers and corporate customers. It also supplies over 6,000 of the world's leading banks and other financial institutions with travellers cheques, foreign currency banknotes and fx software.

A Marketing Manager is now required to further develop the Thomas Cook MasterCard travellers cheque product range, optimising its profit contribution and potential. With responsibility for product line profitability, you will manage the Group's core international product. You will provide strategic direction for its future development, with a particular emphasis on innovation, working with colleagues in Thomas Cook regions around the world.

Ideally a graduate, you will probably be in your 30's, with a classic marketing background in a leading, relevant financial services organisation, possibly with a grounding in the blue-chip fmcg sector. Experience of travellers cheques or other international payment products is essential.

As a self-starter, you will be proactive and assertive. You will be an effective communicator at all levels, with strong interpersonal skills. You will be able to influence, bringing about change with a tactful and forceful, yet persuasive approach. You will be a team player and able to contribute to all aspects of the marketing function. You will be ambitious to use the appointment as a platform for rapid career development within Thomas Cook.

Please apply in confidence, giving details of your career and current earnings, quoting reference 0347 to AAD Executive Selection, 7 Curzon Street, London W1Y 7FL.

AAD

Thomas Cook

EXECUTIVE DIRECTOR

The Canada UK Chamber of Commerce wish to appoint an Executive Director who as Chief Executive will lead the Chamber by example, enterprise and initiative. The Executive Director is responsible to the President, Officers and Council Members for the execution of agreed policies.

The successful Candidate is likely to be in his/her early fifties, have management experience preferably at General manager level, be a good communicator, be able to relate to financial and professional business sectors and have an involvement or interest in Canadian affairs.

Please apply for further information by sending a large s.a.e. to Mimi Thebo, Rybka Battle, 14-17 Wells Mews, London W1P 3FL

HEAD OF DOCUMENTARY CREDITS

We are the London branch of a leading Middle East bank, whose primary role is to support the trade and capital flows between Europe and our home market. Having established a strong market presence, we are now looking for someone to head our Documentary Credit division who has the level of managerial and technical skills necessary to support a further expansion of these activities and a broadening of the product range in response to client demand. The successful applicant will have proven experience in a managerial position and will possess a thorough understanding of all of the documentary aspects involved in the full range of trade finance products, including back to backs and other forms of pre-export finance.

An attractive salary is offered which will reflect the calibre of the individual being sought, whilst the usual range of banking benefits will be available.

Please apply with detailed curriculum vitae to:
Box A5769, Financial Times
One Southwark Bridge, London SE1 9HL

BANKING FINANCE & GENERAL APPOINTMENTS

WHAT'S YOUR CONTRIBUTION TO THE RUSSIAN ECONOMY?

As one of the world's leading providers of electronic technologies, components and related products, Philips Electronics generates over $30 billion in turnover each year. Approximately 250,000 employees work in 60 countries worldwide, and Philips has sales points in 150 countries.

As part of the overall strategy to expand global production to meet the demands of the rapidly increasing world market, Philips Display Components and Philips Lighting are now entering the Russian market. Philips is continually investing in existing facilities or in setting up its own production facilities. Sound financial management is a precondition for the success of these projects. We therefore need experienced Business Controllers.

BUSINESS CONTROLLERS

Your function
As a member of the Management Team, located in Russia, you will be responsible for Finance and Accounting. Cash management, investment decisions and budget reporting are the keywords in this job. You will make financial analyses, supply management information and be responsible for internal and external financial reporting.
You will also manage the preparation and control of business plans. Communication with the Business Group and Corporate Accounting is an important part of your job.

Your profile
Candidates will have an excellent track record in financial management in a complex environment. Since Western business accounting systems are being introduced, knowledge and experience of change management and a profound understanding of the Russian culture are essential. You will have an excellent command of both English and Russian.

Your application
If you feel your background matches the demands of one of the positions, please submit your written application within two weeks to: Mr. J.P.M. Pieters, Philips Recruitment, Building EDU-2, P.O. Box 80003, 5600 JZ Eindhoven, The Netherlands. E-mail: J.P.M.Pieters @nl. cis.philips.com

Let's make things better

PHILIPS

THE EUROPEAN INVESTMENT FUND

a new European financial agency based in Luxembourg, is looking for:

experienced monitoring officer (m/f)

for a senior position in its Finance and Planning Department.

He/she will be responsible for designing, implementing and operating procedures for the administration of the Fund's outstanding guarantee and equity operations from the time of contract signature until the end of the Fund's commitment.

These will include monitoring contract implementation and project execution, invoicing and collecting fees and commissions, analysing the Fund's evolving portfolio risk exposure and reporting to management thereon, and meeting calls on guarantees. From 1996 onwards, similar functions will be performed in respect of the Fund's equity investments.

The successful candidate, who must be a national of a Member Country of the European Union, will be an experienced credit and monitoring officer with university or equivalent education and a minimum of five year's professional experience in a commercial environment. A knowledge of European markets and financial practice is essential, as are fluency in at least two languages of EU Member States, one of which should be English, and familiarisation with IT applications to financial work, including experience with PC software (Word, Excel).

accountant (m/f)

for a position in its Finance and Planning Department.

He/she will be responsible for the introduction of a new accounting system at the Fund and for the internal accounting function thereafter, using proprietary software already in operation.

Duties will include the provision of comprehensive financial and management accounts and reporting, the preparation of the annual audit, budget preparation and liaison with the Fund's Board of Auditors and its external auditors.

The successful candidate, who must be a national of a Member Country of the European Union, will be an experienced accountant with full professional qualifications and a minimum of five year's professional experience in a commercial environment. A knowledge of European markets and financial practice is essential, as are fluency in at least two languages of EU Member States, one of which should be English, and familiarisation with IT applications to financial work, including experience with PC software (Word, Excel).

The EIF was set up in 1994. Its shareholders are the European Investment Bank, the European Commission and a large group of banks and financial institutions from the Member States of the EU. Its mission is to issue guarantees to lenders to major European infrastructure projects (e.g. trans-European networks - TENs) and to small and medium firms (SMEs). From its third year of activity on it will also be able to take equity in the SME sector.

The EIF is located in Luxembourg and offers an attractive remuneration package. Further information can be obtained from Mr H. Kuhrt, Secretary General, at the address below. Written applications should be sent to him **as soon as possible.** All applications will be treated in strictest confidence and will not be returned.

European Investment Fund, 100 boulevard Konrad Adenauer, L-2950 LUXEMBOURG. Fax: +352-4379-3295.

EUROPEAN INVESTMENT BANKING PERSONNEL OFFICER

c£35,000 PLUS BENEFITS

This new securities house, employing c100 people with operations in London and Geneva, wish to recruit a professional to take responsibility for all aspects of personnel administration. Reporting to the Executive Director - Finance, Administration & Operations the Personnel Officer will take responsibility for key aspects of personnel administration and the duties will include:
Implementation of personnel initiatives in liaison with senior management and in line with company policy • Administration of employee benefit schemes • Maintenance of personnel records, files and staff manual • Management of service providers for recruitment, training, employee benefits etc • Management of recruitment processes to include arranging interviews, offers and references and induction of new staff. In addition the successful candidate will manage projects for the introduction of a staff appraisal scheme, the maintenance of the recently set up pension fund and development of a formal process for work permit applications.

Candidates will be aged 35+ with a graduate or equivalent education and at least five years relevant experience in the international securities market. Ideal candidates will be well developed senior managers with proven and practical people management ability, first class interpersonal and motivational skills, combined with an assertive energetic approach. They will also possess a strong will to succeed, be goal driven and possess the energy, committment and flair required to meet the continuing challenge that this role will present.

Interested individuals should write in strictest confidence to Alex Steele enclosing detailed CV.

Firth Ross Martin
SELECTION
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Chemicals, Pharmaceuticals, Paper & Packaging

- Deutsche Morgan Grenfell, the investment banking arm of the Deutsche Bank, one of the world's largest AAA rated institutions, operates in over 30 countries with over 7,000 staff
- We are a leading European investment bank and one of the top investment banks in the world.
- We are committed to a sector-based approach to developing investment banking business, particularly in originating mergers and acquisitions and equity transactions.

The opportunities

- We are seeking to strengthen our corporate finance sector teams in the chemicals, pharmaceuticals and paper and packaging sectors by adding high calibre individuals with exceptional business development skills.
- Working with the head of the sector team in Corporate Finance and other members of the sector group around the international network, you will be expected to translate industry and competitive trends into valuable advice for clients as well as assisting transaction implementation. You will be expected to create close working relationships with a wide range of companies in the industry.
- Successful candidates demonstrating the necessary skills and commitment for this role will assume significant responsibility for development of business in the sector

The successful candidates

You must have:

- An excellent academic background, possibly including an accountancy or business school qualification.
- Comprehensive knowledge of your sector from an industry and/or investment banking perspective.
- A track record of generating and implementing M&A and equity ideas.
- Outstanding communication and analytical skills.

Language skills would be an advantage.

You may currently be working for a sector team in another investment bank or in the corporate planning department of a large multinational company in the sector.

Remuneration

The level of remuneration and benefits package will reflect the applicant's experience and qualifications.

Interested candidates are requested to send comprehensive CVs to:
Sharon Harris, Personnel Department, Deutsche Morgan Grenfell,
23 Great Winchester Street, London EC2P 2AX

Deutsche Morgan Grenfell

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PLEASE REPLY TO PO BOX 61, ST HELIER, JERSEY, CHANNEL ISLANDS.

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£35,000 + and attractive benefits package

City based Fund Management company seeks a Fund Manager with a minimum of 4-5 years' experience. The ideal candidate will be aged 25-35, with a flexible attitude and the ability to be a good team player.

Please call Jane Harari on 0171 796 4615
or send your cv to her at:
Quest International
Dauntsey House, Frederick's Place
London EC2R 8AB
Fax No: 0171 796 4620

QUEST INTERNATIONAL RECRUITMENT

AJG INVESTMENT LIMITED

International Boutique, with offices in Moscow requires Sales person fluent in Russian with contacts to create a viable stock trading business.
Basic annual salary of £20,000 plus bonuses.

Reply in writing to Mr R Gray, AJG Investments Ltd. Three Quays, Tower Hill, London EC3R 6DS

هكذا من الأصل

"Korn/Ferry Carré/Orban is committing the resources necessary to establish K/F Associates as a leading global brand. We will develop our executive selection capability and methodology such that it ranks alongside our Executive Search practice. Make no mistake, the world's number one intends to lead in this market."

ED KELLEY: President, Korn/Ferry Carré/Orban, Europe

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Immediate opportunities exist in London, Brussels, Frankfurt, Amsterdam and Luxembourg, for consultants with the following qualifications:

- Outstanding track record in recruitment or related consultancy sector
- Well educated with sound commercial training
- Team player with the determination to succeed
- Fluency in English essential, at least one other language desirable
- Computer literate, able to work with latest industry software and communications

As an outstanding professional you owe it to yourself to find out how you could build a career with Korn/Ferry. Please forward your c.v. in the strictest confidence to: **The Managing Director, ref 1234/E, K/F Associates, 252 Regent Street, London W1R 6HL, Telephone 0171 312 3120.**

KORN/FERRY CARRÉ/ORBAN INTERNATIONAL

BANK GESELLSCHAFT BERLIN (Ireland) plc — DUBLIN

Bankgesellschaft Berlin (Ireland) plc is a fully licensed Bank operating in the International Financial Services Centre, Dublin, and is engaged in a wide range of international banking, treasury and corporate finance activities. The Bank is a subsidiary of Bankgesellschaft Berlin AG, a major German Banking Group with combined assets of over 260 billion Deutschmarks, a branch network of over 450 in Germany and significant operations in London and Luxembourg in addition to representative offices throughout the world. The majority shareholder of the parent Bank is the Federal State of Berlin.

As part of the ongoing development and expansion of the business in Dublin, the Bank now proposes to recruit high calibre people to the following positions:-

Head of International Banking

(Director Designate)

The person appointed to this senior position will report to the Managing Director and will be responsible for developing and managing the Bank's international asset portfolio comprising syndicated loans, asset backed securities, FRNs, MTNs and other banking and investment products.

The successful candidate will have a background in international investment banking with an international lending institution. He/she must be able to demonstrate strong credit skills and have a track record in big ticket transactions. He or she will also have a thorough knowledge of the international bond and equity markets, and have excellent contacts in the major international financial centres.

This is a key senior management post in the Bank, requiring a professional international banking executive with strong leadership, motivational and presentational skills. Ideal age c 35. (Ref: S12)

Lending Executive - International Banking

Reporting to the Head of International Banking, the Lending Executive will be responsible for the day to day international lending operations.

The successful candidate will be a professional banking executive with proven strong credit skills in international banking and investment, experience of all relevant financial instruments, and a particular knowledge of the international bond and equity markets. Ideal age c 30. (Ref. S14)

Manager - New Issues

This is a specialised position with responsibility for managing and administering the Bank's international Bond Issues and Funding Operations. The post requires at least five years experience of bringing New Issues to the market with particular knowledge of Euro-Bonds and Global Note Programmes.

The person appointed will be totally familiar with Cash Management and Securities Settlements, and have a working knowledge of the major settlement systems. He/she will be an expert in interest and yield calculations; FX transactions; safe custody agreements; securities lending and repo transactions.

This is a senior post which requires a high level of specialised technical banking knowledge and systems expertise, together with the self motivation and discipline to work to strict deadlines in a team environment. Ideal age c 30. (Ref: S13)

The Bank will offer a very attractive remuneration package (including substantial performance related bonus) to each of the successful candidates for the above positions, and there are excellent prospects for further career growth.

Candidates should write in confidence giving details of their experience and quoting the relevant reference to:

Michael Lenahan, Director,
P-E Executive Search and Selection, 24 Fitzwilliam Place, Dublin 2.
Tel: 00-353-1-676 6453. Fax: 00-353-1-661 4292.

P-E International — *Member of the Executive Selection Consultancies Association*

HEAD OF PERFORMANCE MEASUREMENT

MARTIN·CURRIE — *Edinburgh*

Martin Currie, an international investment management group is seeking to recruit a Head of Performance Measurement.

The successful applicant will have responsibility for the day to day running of the Performance Measurement Team which provides performance results and analysis for all Martin Currie clients and funds in the UK and overseas. The team also supports the investment, client services and marketing teams with clear and concise presentations of performance returns and attribution analyses.

Applicants should be highly numerate with at least two years experience in the industry. Knowledge of the performance measurement requirements for international equity portfolios and familiarity with appropriate systems software are pre-requisites. A high degree of initiative, an awareness of marketing requirements for statistics and the ability to input data swiftly and efficiently are vital. An understanding of the various methodologies and systems employed by performance measurement companies together with knowledge of the current industry standards for the calculation and presentation of performance statistics are essential.

Attractive package commensurate with experience.

Applications, including salary details, in strictest confidence to: Richard Fletcher or Lynn Muirhead, Fletcher Jones Ltd, 10 Castle Street, Edinburgh EH2 3AT. Tel: 0131 226 5709. Fax: 0131 220 1940.

FLETCHER JONES — *search and selection*

LEADING INTERNATIONAL BANK

CREDIT MANAGER CENTRAL & EASTERN EUROPE REGION

Attractive package — Central London

This is a superb opportunity to develop a career within a leading international bank with assets of over US$200 billion. Business in this region is developing very rapidly and covers trade finance, project finance, capital raising and correspondent banking. This has resulted in a need to recruit a credit manager to support the existing team in managing this expansion.

The Position

- Provide specialist country knowledge and credit support to regional management.
- Responsibility for credit analysis in the countries of Central and Eastern Europe focusing on governments, corporates and financial institutions.
- Management of a diverse loan portfolio.
- Play a key role in developing the bank's activities in these markets.

The Requirements

- Graduate calibre; language skills relevant to the region would be an advantage.
- At least 5 years' credit/analytical experience involving major corporate/institutional entities.
- Specialised knowledge of Central and Eastern European and/or other emerging markets is essential.
- Bright, numerate, enthusiastic and motivated.

If you are interested in this position, please send your CV, with current salary details to: Karla Dalton, **Korn/Ferry Associates**, 252 Regent Street, London W1R 6HL, **quoting Ref: 6946/A.**

K/F ASSOCIATES — Selection & Search — KORN/FERRY CARRÉ/ORBAN INTERNATIONAL

VENTURE CAPITAL SPECIALIST FOR KAZAKSTAN

We are looking for a venture capital specialist to work in Kazakstan. Candidates must have a graduate degree in economics, management or finance. Preference will be given to those who can demonstrate previous experience in the venture capital field. Applicants must be citizens of a European Union nation. The job will involve travel and the successful candidate will be required to live in the capital of Kazakstan, Almaty. Knowledge of Kazak or Russian would be useful but is not essential.

Candidates should fax or post their curriculum vitae and an application letter to the address below. The curriculum vitae should include details of qualifications and work history and the application letter should include expected salary and when you will be available.

Templeton is an international fund management company with research and sales offices in Britain, France, Italy, Germany, Russia, the United States, Hong Kong, Singapore, Canada, Australia, Vietnam, India, South Africa and Argentina.

Mr Angus Barclay, Templeton Investment Management (Hong Kong) Ltd.,
2 Exchange Square, Suite 908, Hong Kong.
Tel: +852 2868 0807 Fax: +852 2810 8358

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Editor - Investment Research

Kleinwort Benson Securities is part of one of Europe's most successful Investment Banks. Our research analysts perform a vital role in providing a comprehensive range of investment services to an impressive and continually expanding list of institutional clients.

A challenging position has arisen for an Editor to work in close consultation with our research analysts, assisting them in creating clear, concise investment recommendations within agreed standards of style and presentation.

You will possess a proven record of editorial skills within the financial sector, be knowledgeable of the investment research industry and be self-motivated, persuasive, yet diplomatic and well organised to meet strict deadlines. You need to demonstrate an aptitude and enthusiasm for effective written communication.

Ideally, you will already possess one or more of the following qualifications; Registered representative of the SFA; SEC Supervisory Analyst qualification and an appropriate accountancy qualification. We will however give every encouragement to the successful candidate to be trained to qualify in any of these disciplines.

If you are interested in fulfilling this important function within our research department, please write to Carol Booth in Group Personnel, Kleinwort Benson Limited, 20 Fenchurch Street, London EC3P 3DB.

Kleinwort Benson Securities Limited

SEB Fonder

S-E-Banken Fonder, the asset management subsidiary of Skandinaviska Enskilda Banken has global funds under management in excess of US$8 billion and offers a full spectrum of investment products for institutional and retail clients in all of the major financial markets.

The London Branch of S-E-Banken Fonder is currently seeking to appoint an ambitious investment professional to manage European equities. This person will be part of a larger European investment team. The position includes responsibility for the management of a Micropal measured Mediterranean equity fund.

Applicants should have 3-5 years experience of the Mediterranean or Continental European equity markets. They should be computer literate and have good written and oral communication skills.

A competitive salary with bonus scheme is offered together with an attractive benefits package.

Please apply in writing enclosing your CV to:
Asa Barman,
SEB Fonder, Scandinavian House
2 Cannon Street, London EC4M 6XX

BANKWATCH®

BANK ANALYSTS

CYPRUS

THOMSON BANKWATCH, the world's largest bank rating agency, is looking for bank analysts for THOMSON BANKWATCH-BREE, based in Cyprus. THOMSON BANKWATCH specialises in research and ratings on financial institutions around the world. The Cyprus office of THOMSON BANKWATCH-BREE focuses on research of banks throughout Eastern Europe and Russia.

THOMSON BANKWATCH is currently seeking computer-literate, experienced bank analysts who possess a mastery of written and spoken English. Extensive knowledge of banking and credit analysis is essential. The position, which will be based in Cyprus, requires travel, regular contact with senior officers of Eastern European and Russian banks, preparation of high quality reports for publication and the ability to meet tight deadlines. Candidates must be flexible, detail-oriented and have at least five years' bank credit analysis experience.

Please send resumé to:
Lesley Singleton
THOMSON BANKWATCH-BREE,
PO Box 6951, 3311 Limassol, CYPRUS.
Fax: 357 5 748 974.

The Top Opportunities Section
appears every Wednesday.
For advertising information call:
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ACCOUNTANCY APPOINTMENTS

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KENWOOD PLC

Finance Director

An exciting opportunity to join a well known brand in the domestic appliance market

Havant **c.£85-90k + benefits**

▪ Since flotation in 1992, Kenwood has expanded substantially both through organic growth and acquisition and is now an international manufacturing, sales and marketing group with turnover in excess of £190m of which over 75% is in overseas markets.

▪ This opportunity has arisen as a result of the appointment of the existing Finance Director to the role of Managing Director. The role will encompass both strategic and operational responsibility for the review and development of businesses within the group, including extensive involvement with the integration of the recent or future acquisitions.

▪ As a key member of the management team you will bring strong financial and commercial ability to the role, and as importantly, provide effective leadership to both the finance and IT functions within the group.

▪ Candidates will be qualified accountants, probably in the age range 35-45 who currently hold a senior financial position and can demonstrate drive and achievement within an international manufacturing environment. Key skills sought are demonstrable staff management, responsibility for IT, and also ideally exposure to city institutions.

▪ The salary will be supported by share options, bonus, car etc. and, if appropriate, relocation assistance.

▪ ***Please outline your suitability for the appointment and send a curriculum vitae including current remuneration and quoting reference CA679 to Carrie Andrews at Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.***

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CREDIT RISK ASSESSMENT

To £35K + benefits

When you're part of an organisation that has close links with 1,400 others, you have a rare insight into the way that they all operate. Not least, when that organisation is SFA, you are closer than all of them to emerging policy.

You're going to be a high-profile link between the Counterparty Risk Requirement rules and the companies who need to follow them. Advising firms and advisors on how the rules apply to them, you'll give valuable guidance and practical interpretation.

You'll also assist in the development of policy on credit risk and counterparty matters, research and write papers, consider the impact of changes to accounting practice and assist in assessment of Adequate Credit Management Policy applications.

From your background in accountancy, law or banking, you'll have gained an excellent understanding of credit risk. You'll also be confident and diplomatic enough to elicit sensitive information, and you should be computer literate.

You'll not only enjoy the profile you want, but there's an attractive remuneration package and the chance to influence the development of the regulatory framework in this complex field.

Please write with full career details, stating your current salary package, to Lisa Booth, Personnel Officer, The Securities and Futures Authority, Cottons Centre, Cottons Lane, London SE1 2QB. Confidential fax no: 0171-357 7993.

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Alcan Aluminium considers building smelter in China

By Robert Gibbens in Montreal

Alcan Aluminium is considering building a 200,000-240,000-tonnes-a-year smelter in Shanxi Province in central China.

Its associate is the China National Non-ferrous Metals Industry Corporation (CNNC), a state agency.

A coal-fired power station with a capacity of 250MW would be built nearby and analysts estimated that the capital cost of the two projects would be around the US$1bn mark.

Alcan said that it was developing a project plan with its associate on which talks with government bodies and potential partners would be based. A full feasibility study would follow.

CNNC controls 65 per cent of China's non-ferrous metals output through 150 subsidiaries employing 1m people, said Alcan. In the aluminium sector it owns all China's alumina (aluminium oxide) capacity and 60 per cent of its ingot capacity.

Before the second world war, Alcan owned part of a Shanghai aluminium rolling mill. In 1986 it joined CNNC in a joint venture making extrusion and building products. It has been shipping ingot to China for many years.

Its Japanese affiliate Nippon Light Metal has explored business opportunities in China with CNNC.

Demand from can makers 'to fall'

By Kenneth Gooding, Mining Correspondent

Demand for aluminium from manufacturers of beverage cans – accounting for about 20 per cent of total demand for the metal – will fall in the next five years after a decade of substantial growth, according to the CRU International consultancy organisation.

Aluminium can stock demand in the combined markets of the US, Japan and Europe has been rising at an annual average rate of 4.5 per cent.

But the metal's old adversary, tinplate, is resurgent in Europe and the PET (polyethylene terephthalate) beverage container is gaining widespread consumer acceptance and is poised to gain market share in both the US and Europe, CRU suggests.

While there will be dramatic growth in emerging markets – CRU predicts by the year 2,000 consumption of aluminium can stock in Brazil will quadruple to an annual 300,000 tonnes and consumption in China will triple to 400,000 tonnes – this will not be enough to compensate for the fall in the three big markets.

CRU sees aluminium ingot prices rising by about 40 per cent from the 1995 level against a rise of 15 per cent for tinplate, while PET resin will fall by 15 per cent. It suggests: "Can stock producers will have to trim their margins because they cannot risk a wholesale shift away from the aluminium can. This is because the can stock market accounts for 3.4m tonnes of aluminium consumption world wide." A further redoubling of efforts to make aluminium cans lighter, to alleviate the impact of higher metal costs, must also be expected.

CRU indicates that can stock producers in the US would be vulnerable if the US dollar strengthened more than expected as they would lose many of their important export markets and might even become the target of European and Japanese exporters.

Aluminium Can Stock – 1995: Prices and competition in the short and medium terms," £7,750 from CRU, 31 Mount Pleasant, London WC1X 0AD.

Tate and Lyle in Vietnam sugar venture

By Jeremy Grant in Hanoi

Tate and Lyle, the British sugar company, said yesterday it had signed a $71.5m joint venture contract with a Vietnamese company to grow and refine sugar-cane for sale to the Vietnamese market.

The joint venture would initially plant 15,000 hectares of seed cane at a site in Nghe Anh province 250km south of Hanoi, rising to 30,000 hectares later, said Mr Peter Eatherley, managing director of Tate and Lyle's international sugar investments. Eventual annual output of raw and refined sugar would be 85,000 tonnes.

The venture would require an investment licence from the Vietnamese authorities before it could go ahead.

Hanoi has been trying to attract foreign investment into its sugar sector as a way of reducing dependence on imports, put at 160,000 tonnes in the first eight months of this year, compared with an earlier, government-set quota of 140,000 tonnes for the whole year. Demand from Vietnamese soft drinks, dairy and confectionery companies is soaring.

Tate and Lyle is the fourth foreign company to decide to invest in Vietnamese sugar this year and it is considering further projects in Vietnam, Mr Eatherley said. France's Sucrerie de Bourbon, India's Nagarjuna and a consortium of Taiwanese companies have invested a total of $178m in the sector.

Irish farmers find strength in numbers

Geoff Tansey on the continuing growth of the country's agricultural co-operatives

Farmers the world over are noted for their individualism; and the Irish are no exception. But in Ireland that individualism is tempered with an appreciation of the value of strength in numbers.

Many Irish farmers both produce milk and, through membership of co-operatives, own the companies that process and sell dairy and other farm. And their horizons are widening. At the end of August the 5,600 members of the Waterford Foods co-op took control of the The Cheese Company in the UK, bringing the combined annual turnover to more than I£1bn.

This is the latest manifestation of a trend that began in the mid-1960s as the Republic of Ireland prepared to join the European Community, says Mr Grieg Tierney, Secretary of the Irish Co-operative Organisation.

At that time some 185 dairy co-ops accounted for about 80 per cent of the milk purchased in Ireland, and the ICO was proposing that that number should be greatly reduced. The idea met with considerable opposition at first, but by 1993 the number of co-ops had fallen to 35.

Five major co-ops dominated the south of the country, which is the key area, says Mr Tierney. "By the mid-1980s, some co-operatives' managements felt restricted to the scale of development by not having access to relatively cheap funding." One, Kerry, established a wholly-owned subsidiary, registered as a public limited company. Rather than sell shares, it expanded its base, which brought the overall co-op shareholding down to 85 per cent of the total. Quotation on the unlisted securities market began to give the co-op access to capital on the market.

At the same time, "existing members of the co-op, all executives and employees were offered the chance to invest in the PLC at attractive rates", says Mr Tierney. To everyone's great surprise, he says, the farmers' section of the PLC was grossly oversubscribed – even though it had been hard to get farmers to invest in the co-op before that. Subsequent share placings let the farmers' controlling interest fall below 75 per cent and the company was listed on the Dublin and London stock markets.

Other co-ops – Waterford and Avonmore dairies and IWAS (a wholesale operation) – followed suit. One, Golden Vale, became a PLC with no intermediary. However, every member of the co-op became a member of Golden Vale Food Products as did the PLC, each with one vote, so ensuring farmer control.

Control is the crucial issue for co-op members, says Mr Tierney. When the PLC subsidiaries were established, each co-op amended its rules to retain a majority stake in the equity. Control could not be given up without the approval of two special general meetings, each with a 75 per cent majority in favour of change. At present, the Kerry co-op – the smallest in dairy terms, having expanded in other areas such as food ingredients – is nearest the lower limit. Now, he says, 57 per cent of shares are controlled by the co-op following its purchase of the Donut Corporation of America, a catering and food ingredients company, for $450m – rather more than the I£120m ($1.6m) Waterford paid for the Cheese Company.

Irish dairy farmers have grouped into fewer and larger co-operatives following EU accession

About 68 per cent of Waterford PLC is still owned by the co-op, says Mr Michael Patten, Waterford's corporate affairs manager. Waterford bought the cheese company to enhance its ability to contend with increasing concentration in the retail sector, to achieve benefits of scale and to gain direct access to the market to which 80 per cent of its production is exported.

Not every large co-op has gone for PLC status. Dairy Gold was formed from the merger of two co-operatives that opposed the stock market route. Now, says Mr Tierney of the ICO, "it is paying perhaps up to 5 per cent more for milk than co-ops with PLCs in their structure".

Farmers served by co-ops operating through PLCs need to take a broader view than the litre price for milk, believes Mr Patten. Dairy Gold farmers "get all their profit via the price for milk", he says, but "if Waterford farmers get a bit less for milk – we are trying to hold margins high" then they get added value back through dividends.

The European Union is the biggest outlet for Irish food and agricultural products and within that the UK alone accounts for about a third of exports, says Mr Michael Duffy, chief executive of the Irish Food Board, which was set up at the end of 1994 to promote Irish Food and Drink abroad.

In February, the government announced a I£640m National Food Development Plan for investment in the development of food, drink and agri-business. This aims to increase overall gross output from I£9bn to I£12bn by 1999.

The Food Board is considering a "Brand Ireland" concept that goes right back to the farm. The major multiple buyers now want assurance at the farm gate with animal welfare and husbandry, traceability and hygiene being central issues, says Mr Duffy. He wants to capture as much added value for the Irish economy as possible.

"We cannot base our food processing industry on a cheap raw material policy which doesn't give a reasonable return to farmers," said Agriculture Minister Mr Ivan Yates, in an interview earlier this summer. He also said that the £66m set aside for the Food Board was "the largest amount of money ever for the promotion of Irish food abroad".

The push to develop the food and farming sector recognises its importance to the whole national economy. After all, says Mr Duffy, "Great Britain had an industrial revolution, we didn't. For an industrial base in Ireland, food and agriculture is key".

This appears to underlie a cohesiveness about the Irish approach to farming and food. "The major thing in our sector is a consensus amongst farmers, business, government that Ireland's food industry must grow to compete and our market lies outside our shores," says Mr Patten.

Other factors beyond the sector itself, in particular the exchange rate, will affect even the best laid of plans, says Mr Con Lucey, chief economist at the Irish Farmers' Association. Sterling is the dominant factor influencing the Irish pound and he hopes that Britain will decide to put sterling into a single European currency, otherwise Ireland would probably have to stay out with the sterling.

Overall, though, he says, "the biggest support we've had in Ireland has been the co-ops, originally very small but now very big businesses that have moved into pigmeat and beef processing too."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1632-34	1669-70
Previous	1631-32	1667-68
High/low	1637/1622	1673/1658
AM Official	1625-26	1662-63
Kerb close		1671-2
Open int.	211,153	
Total daily turnover	56,560	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1385-95	1425-30
Previous	1395-405	1435-45
High/low	1385/1370	1425/1410
AM Official	1380-85	1415-25
Kerb close		1430-40
Open int.	3,060	
Total daily turnover	2,057	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	648-50	649-49.5
Previous	651-55	650-51
High/low		650/642
AM Official	636-38	641-42
Kerb close		647-8
Open int.	32,710	
Total daily turnover	7,809	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7870-80	7995-805
Previous	7780-90	7905-10
High/low		8100/7830
AM Official	7815-20	7940-45
Kerb close		8060-70
Open int.	44,678	
Total daily turnover	10,717	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6105-15	6175-80
Previous	6120-25	6185-90
High/low	6145/6085	6210/6150
AM Official	6120-25	6175-80
Kerb close		6280-90
Open int.	18,750	
Total daily turnover	3,117	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	964.5-65.5	988-89
Previous	962-63	986-87
High/low	964	989/984
AM Official	962.5-63	985.5-86.0
Kerb close		986-7
Open int.	81,003	
Total daily turnover	14,979	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2745-50	2681-82
Previous	2700-705	2678-79
High/low	2738/2735	2695/2651
AM Official	2738-40	2678-80
Kerb close		2688-90
Open int.	189,452	
Total daily turnover	95,330	

■ LME AM Official £/$ rate: 1.5723
LME Closing £/$ rate: 1.5738

Spot: 1.5695 3 mths: 1.5662 6 mths: 1.5624 9 mths: 1.5582

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	128.10	+6.90	128.10	123.10	487	993
Nov	126.65	+5.15	126.65	121.50	31	1,379
Dec	124.85	+3.75	125.00	120.80	10,682	22,227
Jan	123.75	+3.30	123.75	121.80	16	576
Feb	122.65	+2.95	122.65	130.20	6	431
Mar	121.65	+2.40	122.10	119.80	901	5,454
Total					12,830	38,171

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	382.10-382.40		
Opening	383.30-383.60		
Morning fix	383.40	243.924	443.325
Afternoon fix	381.75	242.983	440.349
Day's High	383.50-383.90		
Day's Low	380.60-381.00		
Previous close	383.60-384.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.95	6 months	3.73
2 months	3.93	12 months	3.76
3 months	3.85		

Silver Fix	p/troy oz.	US cts equiv.
Spot	340.45	534.85
3 months	344.75	540.25
6 months	348.75	545.65
1 year	357.65	557.15

Gold Coins	$ price	£ equiv.
Krugerrand	383-386	244-246
Maple Leaf	392.35-394.80	
New Sovereign	88-91	56-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	381.9	-1.9	381.9	381.5	28	244
Dec	383.8	-2.1	388.1	382.6	10,210	99,197
Feb	385.8	-2.2	387.6	385.0	2,659	24,653
Apr	388.2	-2.2	390.4	388.0	4,599	9,877
Jun	390.8	-2.2	392.1	390.5	4,780	10,689
Aug	393.3	-2.2	-	-	42	2,870
Total					23,853	183,078

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	411.2	-3.5	412.5	412.5	37	487
Jan	410.2	-3.5	413.5	407.5	2,184	20,858
Apr	410.5	-3.5	412.0	409.0	174	1,556
Jul	411.7	-3.5	412.0	411.0	276	1,812
Oct	411.9	-3.5	-	-	110	128
Total					2,189	24,837

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	136.60	-1.65	138.00	136.00	195	4,924
Mar	138.20	-1.65	139.50	138.50	135	1,016
Jun	139.55	-1.65	-	-	50	125
Total					388	6,065

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	529.7	-3.0	530.0	526.5	200	210
Dec	533.2	-3.3	537.0	527.0	8,446	62,081
Jan	534.9	-3.3	-	-	8	26
Mar	539.8	-3.4	542.0	533.0	592	14,109
May	543.8	-3.5	543.8	540.0	217	6,773
Jul	547.6	-3.6	550.0	550.0	11	6,470
Total					169,886	9,686

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	17.34	-0.27	17.61	17.33	23,412	33,463
Dec	17.12	-0.19	17.31	17.10	30,316	93,811
Jan	17.00	-0.17	17.17	17.00	9,691	49,389
Feb	16.97	-0.13	17.10	16.97	4,044	21,661
Mar	16.94	-0.12	17.00	16.93	2,292	17,537
Apr	16.93	-0.09	16.97	16.93	530	13,246
Total					75,294	342,719

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	15.90	-0.15	16.05	15.90	16,930	69,840
Jan	15.80	-0.15	15.94	15.80	8,591	34,361
Feb	15.77	-0.10	15.85	15.77	3,984	11,413
Mar	15.76	-0.01	15.76	15.76	1,771	6,994
Apr	15.71	-	15.71	15.71	501	3,418
May	15.66	-0.01	15.66	15.66	-	1,625
Total					31,326	139,674

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	48.15	-0.27	48.75	48.05	9,421	34,431
Dec	48.60	-0.33	48.95	48.50	9,709	42,092
Jan	49.05	-0.35	49.40	49.00	3,438	34,565
Feb	49.05	-0.25	49.30	49.05	2,726	16,598
Mar	48.35	-0.15	48.55	48.35	1,233	7,036
Apr	47.35	-0.15	47.50	47.35	1,181	3,755
Total					158,415	30,899

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	146.75	-0.75	147.50	146.50	5,573	36,122
Dec	147.25	-	147.50	146.75	4,795	21,774
Jan	147.50	-0.50	148.00	147.00	2,897	21,181
Feb	147.50	-0.75	148.25	147.25	687	8,159
Mar	147.50	-0.75	148.00	147.25	453	3,559
Apr	146.50	-1.25	147.50	146.50	41	1,422
Total					14,312	98,811

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	1.712	-0.015	1.727	1.695	11,749	18,672
Dec	1.782	-0.020	1.802	1.765	5,242	27,841
Jan	1.836	-0.018	1.859	1.823	3,371	23,794
Feb	1.791	-0.017	1.805	1.780	1,657	13,362
Mar	1.750	-0.009	1.755	1.740	1,319	9,099
Apr	1.695	-0.005	1.700	1.685	722	6,036
Total					28,835	138,652

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	49.15	-0.73	49.85	49.10	10,229	21,484
Dec	48.50	-0.37	48.80	48.35	6,460	20,207
Jan	48.70	-0.35	49.00	48.70	1,403	8,704
Feb	49.50	-0.10	49.50	49.35	339	3,382
Mar	49.90	-0.05	49.95	49.75	35	2,023
Apr	52.75	+0.10	52.75	52.65	112	2,895
Total					18,690	62,338

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	118.75	+0.60	119.00	118.00	54	1,074
Jan	121.55	+0.95	122.00	120.40	85	2,034
Mar	123.45	+0.85	124.00	123.30	192	1,421
May	125.55	+0.85	126.00	124.60	63	2,173
Jul	126.50	+2.00	-	-	-	74
Sep	108.75	+1.10	109.00	108.00	10	15
Total					422	6,833

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	507.50	+7.75	508.50	498.50	17,718	59,636
Mar	513.75	+7.25	515.00	507.00	5,754	29,738
May	476.00	+3.25	480.00	472.00	618	3,447
Jul	433.50	+4.25	434.50	428.50	2,158	11,830
Sep	434.00	+2.50	435.00	430.00	444	1,295
Dec	443.00	+4.00	444.00	440.00	65	453
Total					26,757	106,464

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	332.00	+6.25	332.50	327.50	44,940	217,959
Mar	337.00	+5.50	337.50	332.75	18,782	163,306
May	336.75	+4.00	336.50	332.50	3,505	27,673
Jul	332.00	+2.50	332.75	329.50	4,266	43,657
Sep	297.50	+1.50	297.75	295.00	319	6,157
Dec	279.25	+1.00	280.00	276.50	2,974	20,059
Total					74,797	478,539

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	110.00	+1.70	110.25	108.30	118	579
Jan	113.25	+1.95	113.25	111.50	132	736
Mar	115.40	+1.30	174.50	114.10	10	611
May	117.25	+1.30	-	-	-	161
Sep	104.00	-	-	-	-	-
Nov	107.00	-	-	-	-	-
Total					280	2,087

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	664.00	+7.75	666.00	658.00	23,531	70,681
Jan	674.00	+7.50	676.75	668.50	7,326	45,300
Mar	683.75	+7.75	685.75	678.00	3,193	22,887
May	688.50	+6.75	691.00	683.00	579	6,715
Jul	693.50	+7.25	695.50	688.00	1,387	10,711
Aug	690.50	+6.00	691.50	688.00	29	167
Total					37,891	176,248

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	26.69	+0.17	26.69	26.45	657	486
Dec	26.83	+0.16	26.88	26.55	7,029	38,215
Jan	26.94	+0.14	27.02	26.70	1,547	11,649
Mar	27.08	+0.07	27.15	26.90	1,390	9,880
May	27.25	+0.10	27.30	27.05	349	5,393
Jul	27.30	+0.05	27.38	27.11	307	3,162
Total					11,282	68,238

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	201.5	+3.4	201.5	198.9	538	943
Dec	204.7	+3.1	205.0	202.4	8,980	45,864
Jan	205.8	+3.3	206.0	203.5	1,591	14,975
Mar	206.9	+3.2	207.1	204.8	2,472	11,235
May	206.2	+2.7	206.7	204.7	403	5,206
Jul	206.7	+2.1	207.5	205.2	644	4,164
Total					14,887	84,047

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	184.0	-	-	-	-	3
Mar	280.0	-	-	-	-	-
Apr	270.7	+2.7	270.6	268.5	52	1,134
May	312.5	-	-	-	-	6
Jun	380.5	-	-	-	-	-
Total					52	1,143

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	1618	-22	1625	1618	40	536
Nov	1565	-17	1570	1540	85	540
Dec	1555	-22	1570	1527	118	209
Jan	1563	-22	1575	1540	129	1,169
Apr	1555	-34	1570	1550	108	1,067
Jul	1438	-30	1450	1430	85	232
Total					565	3,858

	Close	Prev
BFI	1678	1696

FUTURES DATA
All futures data supplied by CMS.

Wool
Australian wool was a little cheaper to buy at earlier sales this week, and auction clearances were poor in Fremantle, when Wool International stockpile wool was included in the offering. However, yesterday there was more chinese demand for middle merinos and prices for these were usefully higher. South African merino prices also edged higher after the previous week's sharp declines. New Zealand was firm to dearer at two sales this week, but the British Wool Marketing Board lowered its reserves and prices for British wool at a Bradford auction declined by about 5% compared with the previous sale at the end of September. The Eastern market indicator closed on October 19 at 582 cents, compared with 586 cents at the end of last week. The New Zealand indicator was 506, compared with 495 last week.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	919	+15	920	904	2,239	23,072
Mar	949	+14	949	935	3,248	32,690
May	965	+12	966	952	601	15,289
Jul	981	+11	981	972	180	4,348
Sep	998	+11	998	986	356	21,134
Dec	1015	+11	1010	1010	24	6,061
Total					8,413	109,247

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1319	+30	1324	1299	2,130	25,437
Mar	1350	+28	1354	1332	927	21,057
May	1370	+27	1371	1359	163	8,862
Jul	1393	+29	1395	1385	36	3,454
Sep	1417	+29	1417	1404	10	6,212
Dec	1445	+24	1445	1440	160	6,208
Total					3,390	71,240

■ COCOA (ICCO) (SDR's/tonne)

Oct 18	Price	Prev. day
Daily	924.15	937.45

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	2396	+18	2415	2390	1,101	7,942
Jan	2346	+17	2365	2340	2,310	10,704
Mar	2301	+20	2310	2292	742	5,468
May	2253	+25	2253	2240	154	2,636
Jul	2210	+20	2399	2200	-	435
Sep	2178	+20	2168	2168	-	268
Total					4,313	27,449

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	125.45	+1.70	126.20	123.50	7,349	15,990
Mar	123.45	+1.30	124.00	122.00	1,004	9,743
May	122.55	+0.80	123.50	121.70	149	2,466
Jul	123.00	+1.00	123.00	122.00	22	504
Sep	123.25	+1.00	123.25	121.00	28	307
Dec	123.75	+1.00	-	-	10	64
Total					8,552	29,061

■ COFFEE (ICO) (US cents/pound)

Oct 18	Price	Prev. day
Comp. daily	120.89	122.82
15 day average	118.78	118.33

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	13.25	-	-	-	-	-
Mar	10.90	-	-	-	-	-
May	11.95	-	-	-	-	-
Jul	11.95	-	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	349.4	+0.6	349.8	348.0	405	7,898
Mar	328.8	+2.6	329.0	326.0	692	12,946
May	324.5	+2.8	324.5	321.4	256	3,876
Aug	321.6	+3.3	321.6	320.3	49	2,036
Oct	291.3	+3.3	291.3	288.9	70	2,312
Dec	286.4	+2.9	284.4	284.0	9	719
Total					1,472	29,938

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.68	+0.12	10.69	10.56	6,655	67,047
May	10.59	+0.10	10.60	10.49	1,187	18,604
Jul	10.50	+0.10	10.50	10.40	445	12,960
Oct	10.46	+0.10	10.46	10.38	380	13,856
Mar	10.42	+0.11	10.42	10.35	481	7,115
Total					9,188	119,692

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	82.98	-0.72	84.60	82.75	5,937	27,166
Mar	83.10	-0.89	84.45	82.90	2,503	17,241
May	83.35	-1.15	84.70	83.20	615	7,477
Jul	83.60	-0.75	84.80	83.20	527	5,087
Oct	78.85	-0.33	79.30	78.80	25	1,308
Dec	75.90	-0.15	76.30	75.50	216	6,166
Total					9,806	65,462

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	118.00	+0.55	119.90	118.00	2,455	7,116
Jan	120.10	+0.85	121.95	119.95	2,518	11,477
Mar	122.30	+0.75	124.00	122.00	52	2,568
May	124.10	+0.55	124.10	122.00	40	1,296
Jul	126.00	+0.45	-	-	30	533
Sep	127.90	+0.35	127.90	126.00	5	318
Total					5,041	23,882

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 19	Oct 18	month ago	year ago
2087.4	2088.5	2121.1	2083.3

■ CRB Futures (Base: 1967=100)

Oct 18	Oct 17	month ago	year ago
241.30	240.46	-	-

■ GSCI Spot (Base: 1970=100)

Oct 18	Oct 17	month ago	year ago
179.90	180.01	183.85	174.05

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	66.425	+0.650	66.450	65.875	1,758	3,154
Dec	67.900	+0.175	67.950	67.550	4,699	29,983
Feb	66.875	-0.100	67.050	66.650	1,302	15,069
Apr	67.150	+0.050	67.175	66.975	901	8,823
Jun	63.200	+0.125	63.275	63.000	485	3,653
Aug	61.850	+0.125	61.750	61.600	154	1,495
Total					N/A	N/A

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	45.725	-0.875	46.450	45.575	1,379	2,842
Dec	45.450	-0.700	46.100	45.400	2,698	13,537
Feb	48.375	-0.275	48.700	48.225	624	7,611
Apr	47.675	-0.175	47.950	47.325	187	2,669
Jun	52.900	-	52.900	52.600	122	2,992
Jul	52.600	-0.075	52.675	52.400	36	1,379
Total					N/A	N/A

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	62.875	-0.625	63.550	62.550	1,210	5,918
Mar	62.775	-0.550	63.400	62.600	83	666
May	63.550	-0.600	63.800	63.450	26	201
Jul	64.850	-0.125	64.500	63.700	50	540
Aug	62.400	+0.750	62.700	61.750	12	41
Total					N/A	N/A

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Feb	Dec	Feb
1650	62	105	54	75
1700	40	82	82	100
1750	24	62	116	129
■ COPPER (Grade A) LME	Dec	Feb	Dec	Feb
2700	84	89	70	111
2750	61	69	96	140
2800	43	53	127	172
■ COFFEE LCE	Jan	Mar	Jan	Mar
1600	748	713	2	12
1650	699	667	3	16
1700	650	622	4	21
■ COCOA LCE	Dec	Mar	Dec	Mar
875	53	91	9	17
900	35	74	16	25
925	22	59	28	35
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1550	-	52	-	11
1600	-	26	-	26
1650	-	9	-	59

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)

		+or-
Dubai	$14.74-4.76z	-0.180
Brent Blend (dated)	$15.84-5.89	-0.115
Brent Blend (Dec)	$15.90-5.92	-0.170
W.T.I. (1pm est)	$17.11-7.13z	-0.205

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$171-172	-1
Gas Oil	$148-149	
Heavy Fuel Oil	$87-89	
Naphtha	$151-152	+2
Jet fuel	$171-176	-0.5
Diesel	$152-153	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

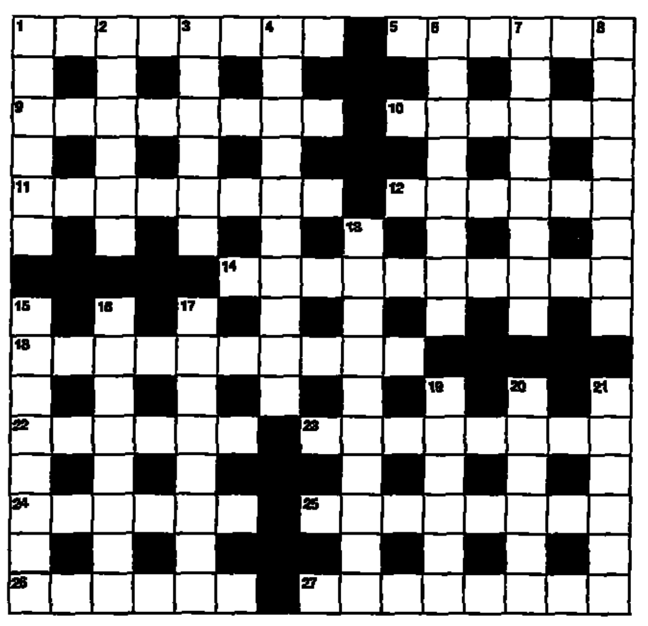
Gold (per troy oz)♣	$382.25	-1.55
Silver (per troy oz)♣	533.5c	-3.0
Platinum (per troy oz.)	$410.75	-3.50
Palladium (per troy oz.)	$134.25	-3.25
Copper (US prod.)	Unq.	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.50m	-0.17
Tin (New York)	292.5c	
Cattle (live weight)†	125.45p	-0.37*
Sheep (live weight)†♠	102.48p	+3.23*
Pigs (live weight)†	96,87p	-0.34*
Lon. day sugar (raw)	$303.5	+1.0
Lon. day sugar (wte)	$386.0	-3.0
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£104.0w	
Wheat (US Dark North)	Unq.	
Rubber (Nov)♥	96.50p	+0.25
Rubber (Dec)♥	96.50p	+0.25
Rubber (KL RSS No1)	365.5m	+2.0
Coconut Oil (Phil)§	$720.0u	+5.0
Palm Oil (Malay.)§	$630.0	
Copra (Phil)§	461.0y	
Soyabeans (US)	192.0	+1.0
Cotton Outlook'A' index	90.05c	+1.05
Wooltops (64s Super)	445p	-2

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. u Nov/Dec.♥ w Nov. y Oct/Nov. x Oct/Dec London Physical. § CIF Rotterdam ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,897 Set by GRIFFIN



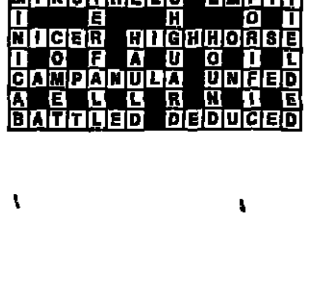
ACROSS

1, 5 Where children are taught to get on? (8,6)
9 Man I threw out together with this (8)
10 Cargo note going missing causes scare (6)
11 Arranged open loan for exiled Frenchman (8)
12 Sitting in Japanese ancestral homes (6)
14 Drive back as companion in love wanted liqueur (10)
18 District near port of Holyhead, Bury and around Leatherhead (10)
22 Caught swimmers starting riots amongst lobster catchers (6)
23 Abhor hospital leaving tube in criminal (8)
24 Beginning in France where trial is put back (6)
25 Sea unit I trained to fill in were revolting (8)
26, 27 French drivers do this version of the top Greek hit (4,2,3,5)

DOWN

1, 15 Late bills may be put here until paid (6,3,5)
2 Short bar put in a flap (6)
3 Hang around valley outside outskirts of Wakefield (6)
4 Race to join throughout the country (10)
6 Spicy dish, when half cold, swallowed for money (8)
7 Groan about mould on fabric (8)
8, 21 Authority to draw cash from reputable landlord? (6,2,6)
13 Something decorators use sharp but in plastic (5-5)
15 See 1 down
16 Confuse with a continental sink (8)
17 Recklessly determined to grab pound he loaned (8)
19 No model in a strapless top is more active! (6)
20 Band following street procession (6)
21 See 8 down

Solution 8,896



INTERNATIONAL CAPITAL MARKETS

Treasuries fluctuate in narrow range

By Lisa Bransten in New York and Conner Middelmann in London

US Treasury prices swung through positive and negative territory within a narrow range yesterday morning as traders reacted to data and watched the ongoing political battle over the US budget.

Near midday, the benchmark 30-year Treasury was ⅜ higher at 107 12/32 to yield 6.302 per cent *and the two-year note* was unchanged at 100¼, yielding 5.662 per cent.

Bonds came off lows made in overnight trading in Europe and Asia after housing data came in weaker than expected. The Commerce Department said housing starts slipped 0.1 per cent to 1.4m in September.

But at mid-morning, the market was shaken by a large jump in the prices paid component of the Federal Reserve Bank of Philadelphia's business outlook survey. Although the overall index of business activity slipped to 25.5 per cent in October from 26.4 per cent in September, the prices paid sub-index jumped to 30 per cent from 13.6 per cent.

Mr Richard Gilhooly of Paribas Capital Markets in New York said bonds regained their footing as traders concluded that the numbers were not as *bad as the prices paid component* implied. "It was actually fairly sanguine for bonds," he said.

The battle between President Clinton and Republican leaders of Congress continued to rattle the market. Bonds dipped slightly after President Clinton said he would veto the Republicans' Medicare reform plan because it would cut the programme too much.

■ *German bonds ended the day* slightly higher, recouping losses caused by stronger than expected money supply data. M3 grew at a provisional 1.5 per cent annualised rate in September, up from 0.3 per cent *in August and exceeding* forecasts of 0.9 per cent.

GOVERNMENT BONDS

"The market took it in its stride because it's not likely to breach its 4 per cent to 6 per cent target growth range" for 1995, said Mr Huw Roberts of NatWest Markets.

However, evidence of strong bank lending and weak monetary capital formation should be taken as a "health warning", he said, indicating that monetary growth in 1996 could be robust.

*Bunds recovered in the after*noon, buoyed by US Treasuries and a 10 basis point cut in the Dutch central bank's special advances rate to 3.70 per cent sparked by the strength of the Dutch guilder against the D-Mark.

■ Italian bonds closed lower after a nervous session dominated once again by politics. As expected, justice minister Mr Filippo Mancuso lost a vote of no-confidence in the senate and appealed to the constitutional court against the motion.

This has left the market sitting under a cloud of uncertainty, with dealers fearing that prolonged political wrangling could delay the passage of the new budget law and put renewed pressure on the lira.

The December BTP future on Liffe ended down 0.19 at 101.98.

■ UK government bonds had a quiet session, tracking German bunds and US Treasuries higher and supported by lower than expected September M4 money supply data. The December long gilt future on Liffe *ended* at 105 23/32, up 3/16 points.

■ Finnish bonds put on a strong performance, boosted by a successful auction of six-year bonds which raised a record FM2.08bn, and by prime minister Paavo Lipponen's forecast that inflation next year will be only 2 per cent, against the previously projected 2.5 per cent.

The yield on the 10-year benchmark bond fell by nearly 10 basis points and its yield spread over German bunds narrowed to 135 basis points from 141 points on Wednesday, a dealer said.

Russian bank opens subsidiary in Geneva

By Frances Williams in Geneva

United Export Import Bank (Unexim) of Moscow, which claims to be among Russia's five biggest banks, has launched itself on the Geneva banking scene armed with a full banking licence from the Swiss authorities and, as chairman of the venture, a former Swiss central bank president, Mr Pierre Languetin.

Banque Unexim (Suisse), a wholly-owned subsidiary of its Moscow parent, will focus primarily on commercial services for trading companies and raw materials suppliers, including existing clients of Unexim. The Russian bank, established only in 1993, has share capital of $250m and total assets of *over $2.5bn.*

Unexim is only the second privately-owned Russian bank to gain a foreign banking licence, the first being Stolichny Bank in Amsterdam. Bank regulators in the UK and the US have yet to allow any Russian banks to establish branches or subsidiaries in London or New York.

Mr Languetin said he had accepted the chairmanship of Banque Unexim (Suisse) only after a scrupulous and detailed investigation of the Russian application by the Federal Banking Commission, the Swiss regulatory authority, which led to the granting of a banking licence last May.

Mr Vladimir Potanin, chairman of Unexim in Moscow and vice-chairman of the Swiss subsidiary, said Geneva had been chosen for the bank's first foreign foray to take advantage of the city's banking experience and infrastructure.

The Geneva bank has 15 employees – none of them Russian – and paid-in share capital of SFr50m, which it plans to double early next year.

Turkish bank sets benchmark with two-year facility

By Antonia Sharpe

A $150m loan for Türkiye Garanti Bankasi, Turkey's highest-rated private bank, has set a new benchmark in terms of pricing and maturity for Turkish banks wanting to tap the syndicated loans market.

The trade finance facility carries a margin of 65 basis points over the London inter-

SYNDICATED LOANS

bank offered rate (Libor) and has a maturity of two years. This compares with the margin of 80 basis points which Türkiye Garanti Bankasi paid on a $200m 364-day facility in July.

According to Bank of Tokyo, one of the arrangers, this is the 15th deal for a private Turkish bank this year but the first which has a maturity of more than one year. The other arrangers are Bank of America, ING and WestLB.

However, lenders may exercise a put option, and the borrower a call option, on the first anniversary of the loan. There is an extension fee of 25 basis points.

The longer maturity and the narrower margin on this deal have caused some concern among bankers. "Pricing is coming down too quickly if you consider that one year ago Turkey was not even in the market," said one banker.

Last year, a severe financial and economic crisis in Turkey caused international lending to Turkey to dry up. However, signs of a recovery earlier this year have enabled Turkish borrowers to return to the interna*tional loans market.*

The launch of Türkiye Garanti Bankasi's loan into general syndication earlier this week coincided with news that Standard & Poor's, the international rating agency, had affirmed Turkey's B-plus *long-term foreign-currency* debt rating but revised its outlook to stable from positive.

S&P said the revision reflected uncertainty about the country's economic policy following recent political instability. S&P also revised the outlook on Türkiye Garanti Bankasi, which has a B-plus rating, to stable from positive.

Bankers said the renewed question mark over Turkey's economic situation and worries about the hasty lowering of margins would be countered by the bank's good credit and the desire among international banks to maintain a relationship with Turkey's premier private bank.

The loan should therefore be well subscribed, in particular by German banks. WestLB is acting as the German-speaking banks co-ordinator while Bank of America is book-runner.

Senior lead managers taking $15m or more will earn 25 basis points, lead managers taking $10m to $14.9m, 20 basis points, managers taking $6m to $9.9m, 17.5 basis points, co-managers taking $3m to $5.9m, 15 basis points, and participants with $1m to $2.9m, 12.5 basis points.

● Banque PSA Finance Holding, a wholly-owned subsidiary of Peugeot which provides wholesale financing for Peugeot and Citroën dealers, is paying 12.5 basis points over Libor on its first euro-syndicated loan, a FFr7.5bn five-year credit facility.

There is a commitment fee of 6.25 basis points and a utilisation fee of 2.5 basis points when usage exceeds 50 per cent. The loan is being *arranged by ABN-Amro, Crédit* Suisse/CS First Boston, NatWest Markets and Société Générale. Participation fees are 5 basis points for FFr300m and 3 basis points for FFr150m.

Fixed-rate offering by Hellenic Republic

By Richard Lapper

The Hellenic Republic yesterday placed Dr95bn in seven-year bonds with international investors, successfully completing its first fixed rate bond issue in recent times.

INTERNATIONAL BONDS

Book-runner Mitsubishi Finance, joint lead with State Commercial Bank of Greece, said the deal was part of efforts to build up a yield curve for domestic bond issuance.

It is understood that Greece also has plans to issue five and possibly 10-year international drachma-denominated international bonds. Some 40 per cent of yesterday's issue was placed with institutional investors in Europe, with the rest going to investors in Asia/Pacific.

The republic is rated BBB– by Standard & Poor's, the credit rating agency.

Elsewhere, low interest rates and some attractive swap opportunities for Japanese issuers keen to swap into yen continue to bring issuers to the market.

France's Société Générale became the latest European bank to raise funds through a subordinated issue. The proceeds count as lower tier two capital for solvency purposes.

A fixed-rate tranche of $200m was priced at 75 basis points over the equivalent US Treasury and a floating-rate portion of $150m at 35 basis points over three-month Libor.

Kyushu Electric Power Co raised SFr350m in a seven-year deal carrying a coupon of 4.25 per cent and led by SBC Warburg. The issuer was said to be attracted by improved arbitrage opportunities.

Syndicate managers say a decline in the credit quality of Japanese banks is one reason for the increase in swap rates between the yen and other currencies.

Issuers can obtain funds at Libor then swap into a yen at Libor less about 15 basis points, a spread which has risen by about 5 basis points in the last three months.

Ireland's First National Building Society *issued the* first punt-denominated floating-rate note, raising I£75m through an issue placed by ABN-Amro Hoare Govett.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Societe Generale(a)	200	6.75	99.406	Nov.2005	0.45	-	Salomon Brothers
Société Générale(b)†	150	(b)	99.815R	Nov.2005	0.45	-	Salomon Brothers
Banco Boavista#	55	10.25	99.87R	Oct.1998	0.875	+460 (9½% 1y)	ABN-Amro Hoare Govett
Sallie Mae St't Ln.Tst(c)†*	750	(c)	100.0	Apr.2004	-	-	Goldman Sachs Intl.
Sallie Mae St't Ln.Tst(g)†*	215	(g)	100.0	Oct.2007	-	-	Goldman Sachs Intl.
MBNA Master Credit Card(d)	652.5	(d)	(d)	Mar.2003	-	-	Merrill Lynch
D-MARKS							
DSL Finance	250	5.375	99.65R	Dec.1999	0.225R	-	B.de Zoete Wedd
Brazil Sovereign Credit	100	10.0	100.0R	Jan.2001	0.375R	+463 (6.115)	SBC Warburg
YEN							
Argentina Global Finance	10bn	1.12	100.1875	Nov.1998	0.1875	-	Nomura Intl.
SWISS FRANCS							
Kyushu Electric Power Co.	350	4.25	103.375	Nov.2002	-	-	SBC Warburg
GREEK DRACHMAS							
Greece	95bn	11.0	100.30	Nov.2002	0.30	-	Mitsubishi Fin. Intl.
IRISH PUNTS							
First National Bldg.Soc.†	75	(e)	99.90R	Nov.2000	0.22R	-	ABN Amro Hoare Govett
LUXEMBOURG FRANCS							
LB Rheinland Pfalz Lux	2.0bn	6.125	102.375	Dec.2000	1.75	-	Kredietbank
ITALIAN LIRE							
European Investment Bank(f)	200bn	10.25	100.094	Oct.2000	1.75	-	IMI Lux. J.P. Morgan

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡Unlisted. † Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Tranche 1 of a $350m issue. b) Tranche 2 of a $350m issue. Pays 3-mth Libor +35bp. c) Tranche 1 of a $1bn asset-backed 3-tranche issue. Pays 91-day T-bill rate +57.5bp. d) Part of $686.25m asset-backed 2-tranche issue. To be priced. e) pays 3-mth Dibor +12.5bp f) Fungible with L500bn issue launched 12 9/95. g) Tranche 2 of a $1bn asset-backed 3-tranche issue. Pays 91-day T-bill rate +75bp

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	94.1400	-0.250	6.39	8.59	8.78
Austria		6.875	06/05	99.4800	+0.180	6.94	7.08	6.92
Belgium		6.500	03/05	96.4900	+0.220	7.01	7.16	7.05
Canada *		8.750	12/05	107.8500	-0.100	7.62	7.72	8.10
Denmark		7.000	12/04	94.7000	+0.160	7.83	7.93	7.87
France	BTAN	7.750	04/00	103.5000	-0.130	6.79	6.87	6.62
	OAT	7.750	10/05	101.6300	-0.020	7.51	7.55	7.38
Germany Bund		6.875	05/05	102.5300	+0.140	6.50	6.61	6.60
Ireland		6.250	10/04	88.0500	+0.200	8.18	8.28	8.19
Italy		10.500	04/05	94.1300	-0.160	11.53†	11.47	11.23
Japan	No 129	6.400	03/00	120.3130	+0.211	1.48	1.57	1.85
	No 174	4.600	09/04	113.0270	+0.158	2.78	2.74	2.97
Netherlands		7.000	06/05	102.9900	-0.070	6.56	6.68	6.62
Portugal		11.875	02/05	103.7500	+0.240	11.18	11.25	11.17
Spain		10.000	02/05	95.2300	+0.130	10.80	10.98	10.68
Sweden		6.000	02/05	80.4190	+0.004	9.22	9.40	9.63
UK Gilts		8.000	12/00	101-30	+3/32	7.53	7.67	7.44
		8.500	12/05	102-27	+5/32	8.08	8.15	7.91
		9.000	10/08	106-13	+5/32	8.19	8.25	7.99
US Treasury *		6.500	08/05	103-25	-3/32	5.98	6.08	6.22
		6.875	08/25	107-17	+1/32	6.31	6.42	6.58
ECU (French Govt)		7.500	04/05	98.4800	+0.140	7.72	7.81	7.61

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.35	Two year	5.70
Prime rate	8¾	Two month	5.43	Three year	5.75
Broker loan rate	7½	Three month	5.42	Five year	5.84
Fed funds	5 11/16	Six month	5.55	10-year	5.99
Fed funds at intervention	-	One year	5.60	30-year	6.32

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	115.40	115.40	-0.04	115.54	115.22	119,245	94,951
Mar	114.90	114.88	-0.04	114.98	114.78	1,028	4,799
Jun	115.02	115.00	-0.04	115.02	114.90	146	1,544

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Mar	Puts Nov	Puts Dec	Puts Mar
114	-	-	-	0.05	0.39	-
115	0.60	1.10	1.41	0.20	0.70	-
116	0.12	0.58	1.00	0.77	-	-
117	0.02	0.27	0.65	-	-	-
118	-	0.10	0.41	-	-	-

Est. vol. total, Calls 11,516 Puts 9,538. Previous day's open int., Calls 143,791 Puts 159,384.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.91	96.24	+0.14	96.27	95.86	161031	197208
Mar	95.45	95.64	+0.14	95.65	95.44	258	5085

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
9600	0.34	0.74	0.65	1.00	0.10	0.50	1.01	1.36
9650	0.10	0.48	0.46	0.78	0.36	0.74	1.32	1.64
9700	0.02	0.30	0.31	0.61	0.78	1.06	1.67	1.97

Est. vol. total, Calls 23909 Puts 19069. Previous day's open int., Calls 216332 Puts 179801

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	101.98	102.17	-	102.28	101.80	36263	42948
Mar		101.81	-			0	695

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
10200	1.25	2.20	1.08	2.39
10250	1.00	1.97	1.33	2.66
10300	0.79	1.76	1.62	2.95

Est. vol. total, Calls 2461 Puts 8768. Previous day's open int., Calls 39764 Puts 41011

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	89.15	89.27	+0.18	89.38	89.08	48,037	33,554
Mar	-	88.68	-	-	-	-	9

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	105-12	105-25	+0-06	105-27	105-10	44537	102552
Mar	104-28	105-07	+0-06	104-28	104-28	10	349

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
105	0-59	1-34	1-32	2-05	0-09	0-48	1-18	1-55
106	0-19	0-62	1-02	1-38	0-33	1-12	1-52	2-24
107	0-04	0-35	0-43	1-13	1-18	1-49	2-29	2-63

Est. vol. total, Calls 3314 Puts 1946. Previous day's open int., Calls 39044 Puts 33326

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	86.62	86.72	+0.10	86.74	86.56	991	9,317

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	117-01	117-10	+0-09	117-13	116-21	319,487	379,316
Mar	116-17	116-30	+0-08	117-01	116-10	2,027	20,591
Jun	115-30	116-12	-	116-16	115-30	1,175	4,211

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	120.50	-	-	120.76	120.46	3297	0
Mar	119.50	-	-	119.65	119.50	111	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Oct 19	Day's change %	Wed Oct 18	Accrued interest	xd adj. ytd		Low coupon yield Oct 19	Oct 18	Yr. ago	Medium coupon yield Oct 19	Oct 18	Yr. ago	High coupon yield Oct 19	Oct 18	Yr. ago
1 Up to 5 years (22)	120.57	-0.04	120.62	1.02	9.72	5 yrs	7.61	7.63	8.53	7.62	7.62	8.60	7.71	7.71	8.74
2 5-15 years (21)	144.77	+0.12	144.60	2.02	9.99	15 yrs	8.21	8.23	8.51	8.25	8.27	8.64	8.35	8.35	8.87
3 Over 15 years (9)	159.73	-0.17	160.14	2.42	10.45	20 yrs	8.28	8.28	8.47	8.30	8.31	8.64	8.37	8.37	8.76
4 Irredeemables (6)	182.73	-0.14	182.99	4.19	8.83	Irred.†	8.38	8.36	8.55						
5 All stocks (56)	140.24	+0.10	140.20	1.75	10.06										

Index-linked							Inflation 5% Oct 19	Oct 18	Yr. ago	Inflation 10% Oct 19	Oct 18	Yr. ago
6 Up to 5 years (1)	192.35	-0.07	192.22	-0.17	8.37	Up to 5 yrs	3.21	3.23	3.84	2.04	2.05	2.64
7 Over 5 years (11)	184.74	-0.20	184.57	0.67	4.45	Over 5 yrs	3.70	3.71	3.85	3.49	3.50	3.65
8 All stocks (12)	184.79	-0.20	184.43	0.65	4.54							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Oct 19	Oct 18	Oct 17	Oct 16	Oct 13	Yr ago	High*	Low*
Govt. Secs. (UK)	92.91	92.93	92.82	92.93	92.99	91.30	95.51	90.22
Fixed Interest	111.20	111.09	111.16	111.27	111.01	108.31	114.66	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 18	Oct 17	Oct 16	Oct 13	Oct 12
Gilt Edged bargains	88.8	96.6	88.3	87.2	80.9
5-day average	88.4	86.8	85.3	82.4	81.9

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 19

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	98¾	99		6.02
Abbey Natl Treasury 6½ 03	1000	99⅞	100⅛	-⅛	6.51
ABN Ambro Bank 7¼ 05	1000	104⅛	104⅜	-¼	6.77
Afdcan Dev Bk 7⅜ 23	500	102⅞	103⅜	-⅛	7.13
Sweden 8 97	2500	105⅜	106½	+⅛	4.65
United Kingdom 7⅛ 97	5500	104⅞	105		4.55
Volkswagen Intl Fin 7 03	1000	101⅝	101⅝	+⅜	6.71
World Bank 0 15	2000	26¼	26½	+¼	6.86
World Bank 5⅞ 03	3000	96	96⅛		6.53
Abbey Natl Treasury 8 03 £	1000	97½	97⅝	+¼	8.45
Alliance Leics 11⅜ 97 £	100	105⅞	106⅛		7.17
British Land 8⅞ 23 £	150	91	91⅜	+½	10.06
Denmark 6¾ 98 £	800	98¼	98½	+⅛	7.44
EIB 8 03 £	1000	98½	98⅝	+⅛	8.26

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for February 1995: 146.9 and for September 1995: 150.6.

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

هكذا من الأصل

CURRENCIES AND MONEY

MARKETS REPORT

D-Mark lifted by strong German monetary growth

By Graham Bowley

The D-Mark advanced on the foreign exchanges yesterday after signs of stronger growth in German money supply increased scepticism about future cuts in German interest rates.

It gained ground against the dollar and against most other European currencies as the Bundesbank's decision to leave interest rates unchanged at its council meeting reinforced the view that German rates could be on hold for some time yet.

The Swiss franc was among those hardest hit by the D-Mark's strength amid some speculation of a move in Swiss interest rates. Against the D-Mark, it finished at DM1.227, compared with DM1.231 at the previous close.

But the D-Mark's rise was most marked against the yen. It rose to new recent highs against the Japanese currency before finishing at Y71.20, from Y70.77. Analysts said traders could be aiming to push the D-Mark to a target rate of Y73 against the yen.

The only exception to the general picture of D-Mark ascendency was in Sweden, where the Swedish krona continued to register strong gains. It closed at SKr4.793 from SKr4.816.

Against the dollar, the D-Mark closed at DM1.4141, compared with DM1.4235 at the previous close.

Sterling fell back against the D-Mark after official figures showed that growth in the UK money supply was slower last month. The M4 measure of the money supply grew by 8.2 per cent in the year to September, compared with 8.5 per cent in August.

The pound finished at DM2.2223, from DM2.2344, against the D-Mark. But it gained ground against the dollar, closing in London at $1.5715 from $1.5697.

■ Pound in New York

Oct 19	Latest	Prev. close
£ spot	1.5725	1.5680
1 mth	1.5714	1.5669
3 mth	1.5702	1.5647
1 yr	1.5685	1.5534

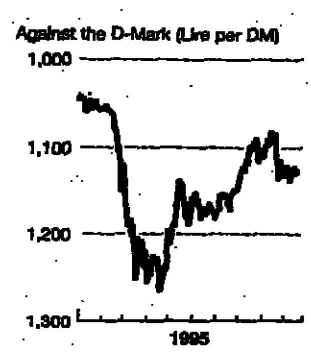
■ The dollar suffered a gradual decline against the D-Mark throughout the European session as Wednesday's gains on the back of the sharp improvement in the trade deficit were unwound.

But the trade figures did continue to have an impact on the D-Mark/yen cross-rate. The figures, which were seen as positive for the dollar versus the yen, and the German money supply data, which boosted the D-Mark, combined to push the German currency to new highs against the yen.

Some dealers said that the dollar's current position continued to look fragile. "The markets are not convinced that a turnaround in the US trade gap is imminent," said Mr Neil MacKinnon, chief economist at Citibank in London.

Lira

Against the D-Mark (Lire per DM)



Source: FT Extel

The dollar was undermined in early trading by comments by Mr Fred Bergsten, the US economist. He was reported as saying that a dollar/yen rate centered around the Y90 level would be good for both the US and Japan.

But the German data – which showed that German M3 money supply grew at an annualised rate of 1.5 per cent last month, compared with 0.3 per cent in August – provided the strongest downward pressure on the dollar.

Against the yen, the dollar lost some ground, finishing at Y100.65 from Y100.75.

■ Most European currencies lost ground to the D-Mark. In Italy, political uncertainty continued to hang over the lira after Mr Filippo Mancuso, justice minister, lost a vote of no confidence in the Italian senate. The lira finished at L1,128 against the D-Mark, down from L1,127 at the previous European close.

The French franc found some support from strong industrial output data before falling back after the German money supply figures and the Bundesbank's decision on interest rates boosted the D-Mark.

Analysts said the franc still looks vulnerable to further weakness. They said there are continuing worries over the government's ability to maintain high interest rates while unemployment remains high and there is concern over lack of progress on budget reform.

The franc closed in London at FFr3.509 from FFr3.506, against the D-Mark.

In the UK, trade data for September due today is expected to confirm the recent trend of a widening of the UK visible trade deficit with countries outside the EU. But analysts said that this is unlikely to exert any significant downward pressure on sterling.

■ The Bank of England provided assistance of £897m towards clearing a forecast shortage of £900m in its daily money market operations.

■ OTHER CURRENCIES

Oct 19	£	$
Czech Rp	41.2309 - 41.2807	26.2450 - 26.2600
Hungary	205.754 - 205.963	130.970 - 131.020
Iran	4718.00 - 4713.00	3000.00 - 3000.00
Kuwait	0.4713 - 0.4724	0.3000 - 0.3005
Poland	3.8497 - 3.8553	2.4505 - 2.4525
Russia	7083.44 - 7082.07	4505.00 - 4508.00
U.A.E.	5.7698 - 5.7740	3.6727 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Oct 19		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. index
Europe													
Austria	(Sch)	15.6390	-0.085	313 - 467	15.7231	15.6305	15.6086	2.3	15.55	2.3	-	-	107.2
Belgium	(BFr)	45.7378	-0.2388	004 - 751	45.9560	45.6970	45.6428	2.5	45.4528	2.5	44.7178	2.2	109.9
Denmark	(DKr)	8.6338	-0.0416	287 - 389	8.6691	8.6253	8.6262	1.1	8.6096	1.1	8.5471	1.0	110.2
Finland	(FM)	6.6855	-0.0475	794 - 915	6.7310	6.6790	6.6811	0.8	6.673	0.7	-	-	88.2
France	(FFr)	7.7980	-0.0341	945 - 015	7.8271	7.7910	7.8049	-1.1	7.8105	-0.6	7.8051	-0.1	106.8
Germany	(DM)	2.2223	-0.0121	212 - 233	2.2349	2.2197	2.2172	2.8	2.2078	2.6	2.1668	2.5	112.6
Greece	(Dr)	365.122	-1.466	928 - 317	367.600	364.684	-	-	-	-	-	-	67.4
Ireland	(I£)	0.9784	+0.0003	775 - 793	0.9795	0.9769	0.9776	1.0	0.9763	0.9	0.9731	0.5	97.2
Italy	(L)	2507.01	-10.71	480 - 923	2520.06	2503.71	2514.26	-3.5	2529.16	-3.5	2597.31	-3.6	70.2
Luxembourg	(LFr)	45.7378	-0.2388	004 - 751	45.9560	45.6970	45.6428	2.5	45.4528	2.5	44.7178	2.2	109.9
Netherlands	(Fl)	2.4894	-0.0127	880 - 907	2.5012	2.4878	2.4829	3.1	2.472	2.8	2.4258	2.6	109.9
Norway	(NKr)	9.7803	-0.046	748 - 857	9.8794	9.7722	9.7679	1.5	9.7461	1.4	9.6708	1.1	99.5
Portugal	(Es)	234.232	-1.192	079 - 385	235.905	234.033	234.772	-2.8	235.992	-3.0	-	-	95.5
Spain	(Pta)	192.116	-1.044	008 - 224	193.177	191.892	192.616	-3.1	193.558	-3.0	197.956	-3.0	81.4
Sweden	(SKr)	10.6488	-0.1067	376 - 600	10.7479	10.6229	10.651	-0.2	10.6555	-0.3	10.6789	-0.3	84.5
Switzerland	(SFr)	1.8112	-0.0034	098 - 125	1.8188	1.8079	1.8041	4.7	1.7922	4.2	1.7393	4.0	115.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.9
Ecu	-	1.2084	-0.0063	075 - 092	1.2165	1.2074	1.2073	1.1	1.205	1.1	1.1957	1.1	-
SDR†	-	1.05015	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5713	+0.0018	707 - 718	1.5737	1.5680	-	-	-	-	-	-	-
Brazil	(R$)	1.5069	+0.0024	063 - 074	1.5087	1.5033	-	-	-	-	-	-	-
Canada	(C$)	2.0998	-0.001	987 - 008	2.1071	2.0986	2.0989	0.5	2.0967	0.2	2.1036	-0.2	85.5
Mexico	(New Peso)	10.5055	-0.0696	943 - 167	10.5170	10.4834	-	-	-	-	-	-	-
USA	($)	1.5715	+0.0018	710 - 720	1.5740	1.5682	1.5704	0.8	1.5682	0.8	1.5569	0.9	92.8
Pacific/Middle East/Africa													
Australia	(A$)	2.0884	+0.0078	863 - 904	2.0906	2.0859	2.0897	-0.7	2.0926	-0.8	2.1073	-0.9	86.0
Hong Kong	(HK$)	12.1512	+0.0153	465 - 568	12.1702	12.1253	12.1477	0.3	12.1352	0.5	12.1016	0.4	-
India	(Rs)	55.1047	+0.3457	478 - 615	55.1680	54.2700	-	-	-	-	-	-	-
Israel	(Shk)	4.7057	+0.0095	011 - 103	4.7105	4.6943	-	-	-	-	-	-	-
Japan	(Y)	158.172	+0.025	043 - 300	158.540	157.640	157.257	6.9	155.647	6.4	148.722	6.0	142.6
Malaysia	(M$)	3.9721	+0.0061	702 - 739	3.9781	3.9614	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3871	+0.0006	850 - 891	2.3892	2.3844	2.3931	-3.0	2.4023	-2.5	2.4279	-1.7	101.0
Philippines	(Peso)	40.7491	+0.0232	575 - 406	40.8418	40.6351	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8939	+0.0067	919 - 959	5.9030	5.8817	-	-	-	-	-	-	-
Singapore	(S$)	2.2366	+0.0013	373 - 398	2.2430	2.2344	-	-	-	-	-	-	-
South Africa	(R)	5.7355	+0.0036	329 - 381	5.7443	5.7255	-	-	-	-	-	-	-
South Korea	(Won)	1204.16	+0.91	370 - 462	1206.00	1202.18	-	-	-	-	-	-	-
Taiwan	(T$)	42.4211	+0.113	013 - 409	42.4823	42.2708	-	-	-	-	-	-	-
Thailand	(Bt)	39.4525	+0.053	321 - 729	39.5000	39.3780	-	-	-	-	-	-	-

† Rates for Oct 18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	9.9517	-0.0655	499 - 534	10.0125	9.9480	9.9366	1.8	9.9065	1.8	9.7972	1.6	107.0
Belgium	(BFr)	29.1045	-0.1855	900 - 190	29.2800	29.0800	29.0635	1.7	28.9845	1.6	28.6845	1.4	109.3
Denmark	(DKr)	5.4940	-0.0328	925 - 955	5.5238	5.4900	5.4947	-0.2	5.4905	0.3	5.5	-0.1	109.3
Finland	(FM)	4.2542	-0.0351	517 - 567	4.2844	4.2508	4.2536	0.1	4.2527	0.1	4.2482	0.1	87.5
France	(FFr)	4.9622	-0.0273	615 - 628	4.9835	4.9600	4.9707	-2.1	4.9807	-1.5	5.0022	-0.8	108.3
Germany	(DM)	1.4141	-0.0094	139 - 143	1.4235	1.4129	1.4119	1.9	1.4075	1.9	1.389	1.8	111.7
Greece	(Dr)	232.340	-1.2	290 - 390	234.110	232.090	234.065	-8.9	237.265	-8.5	250.74	-7.9	66.6
Ireland	(I£)	1.6062	+0.0014	052 - 072	1.6086	1.6035	1.6064	-0.1	1.6065	-0.1	1.613	-0.4	-
Italy	(L)	1595.30	-8.65	440 - 620	1604.30	1592.90	1602.05	-5.1	1614.1	-4.7	1671.3	-4.8	69.7
Luxembourg	(LFr)	29.1045	-0.1855	900 - 190	29.2800	29.0800	29.0635	1.7	28.9845	1.6	28.6845	1.4	109.3
Netherlands	(Fl)	1.5841	-0.0099	837 - 844	1.5931	1.5828	1.5815	2.0	1.5764	2.0	1.5564	1.8	109.0
Norway	(NKr)	6.2235	-0.0385	220 - 250	6.2870	6.2195	6.2197	0.7	6.2135	0.6	6.2035	0.3	96.6
Portugal	(Es)	149.050	-0.93	000 - 100	149.830	148.920	149.515	-3.7	150.525	-4.0	155.15	-4.1	95.4
Spain	(Pta)	122.250	-0.805	220 - 280	123.010	122.100	122.63	-3.7	123.4	-3.8	126.895	-3.8	80.8
Sweden	(SKr)	6.7762	-0.0757	712 - 812	6.8452	6.7583	6.7937	-3.1	6.8302	-3.2	6.9987	-3.3	83.3
Switzerland	(SFr)	1.1525	-0.0035	520 - 530	1.1586	1.1514	1.1489	3.7	1.1428	3.4	1.115	3.3	115.2
UK	(£)	1.5715	+0.0018	710 - 720	1.5740	1.5682	1.5704	0.8	1.5682	0.8	1.5569	0.9	83.6
Ecu	-	1.3005	+0.0082	000 - 010	1.3020	1.2910	1.3009	-0.4	1.3016	-0.3	1.3039	-0.3	-
SDR†	-	0.66655	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	0.9588	+0.0004	588 - 589	0.9590	0.9587	-	-	-	-	-	-	-
Canada	(C$)	1.3362	-0.0022	359 - 364	1.3390	1.3359	1.3367	-0.4	1.338	-0.5	1.3482	-0.9	84.3
Mexico	(New Peso)	6.6850	-0.052	800 - 900	6.6950	6.6750	6.6872	-0.4	6.6904	-0.3	6.6953	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3289	+0.0035	280 - 298	1.3301	1.3276	1.3307	-1.6	1.3343	-1.6	1.354	-1.9	87.3
Hong Kong	(HK$)	7.7322	+0.0009	317 - 327	7.7326	7.7315	7.7337	-0.2	7.7357	-0.2	7.7559	-0.3	-
India	(Rs)	35.0650	+0.18	400 - 900	35.0900	34.5600	35.215	-5.1	35.52	-5.2	36.99	-5.5	-
Israel	(Shk)	2.9944	+0.0026	924 - 964	2.9980	2.9889	-	-	-	-	-	-	-
Japan	(Y)	100.650	-0.1	600 - 700	100.930	100.450	100.155	5.9	99.235	5.6	95.35	5.3	143.4
Malaysia	(M$)	2.5276	+0.0023	272 - 279	2.5283	2.5238	2.5276	0.0	2.528	-0.1	2.5356	-0.3	-
New Zealand	(NZ$)	1.5188	-0.0014	181 - 198	1.5217	1.5179	1.5228	-3.2	1.5304	-3.1	1.5551	-2.4	-
Philippines	(Peso)	25.9300	-0.015	800 - 800	25.9800	25.8800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7507	3.7504	3.7511	-0.2	3.7519	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4245	-0.0008	241 - 248	1.4263	1.4232	1.4211	2.9	1.4148	2.7	1.39	2.4	-
South Africa	(R)	3.6497	-0.0018	492 - 502	3.6532	3.6498	3.675	-8.3	3.725	-8.3	3.9562	-8.4	-
South Korea	(Won)	766.250	-0.3	200 - 300	766.800	765.300	769.25	-4.7	772.75	-3.4	791.25	-3.3	-
Taiwan	(T$)	26.9940	+0.041	900 - 980	26.9990	26.9800	27.014	-0.9	27.054	-0.9	-	-	-
Thailand	(Bt)	25.1050	+0.005	000 - 100	25.1140	25.1000	25.1925	-4.2	24.84	4.2	26.06	-3.8	-

† SDR rate per $ for Oct 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 18. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 19	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4 1/4	4 1/8	4 1/8	4 1/4	4 3/8	6.00	3.50	-
week ago	4 1/8	4 1/8	4 1/4	4 1/4	4 1/2	6.00	3.50	-
France	6 5/8	6 5/8	6 7/8	6 5/8	6 9/16	5.00	-	7.00
week ago	6 3/4	6 3/8	7	6 5/8	6 1/4	5.00	-	7.25
Germany	4 1/4	4 1/8	4 1/8	4 1/4	4	5.50	3.50	4.03
week ago	4 1/8	4 1/8	4	4	4	5.50	3.50	4.03
Ireland	6 1/4	5 5/8	5 3/4	6	6 1/4	-	-	6.25
week ago	5 1/4	5 3/4	5 15/16	6 1/8	6 5/16	-	-	6.25
Italy	10 3/8	10 5/8	10 3/8	10 3/4	10 15/16	-	9.00	10.38
week ago	10 3/8	10 5/8	10 1/2	10 5/8	10 3/4	-	9.00	10.36
Netherlands	3 5/8	3 7/8	3 7/8	4	4 1/8	-	3.50	3.70
week ago	3 7/8	3 7/8	3 7/8	3 7/8	4 1/8	-	3.50	3.80
Switzerland	3/4	2	2 1/8	2 1/4	2 1/4	5.00	2.00	-
week ago	1 3/4	2	2 1/4	2 1/4	2 1/4	5.00	2.00	-
US	5 7/8	5 3/4	5 7/8	5 7/8	5 7/8	-	5.25	-
week ago	5 7/8	5 3/4	5 7/8	5 7/8	5 7/8	-	5.25	-
Japan	1/2	1/2	1/2	1/2	1/2	-	0.50	-
week ago	1/2	1/2	1/4	1/4	1/4	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 7/8	5 7/8	5 7/8	5 7/8	-	-	-
week ago	-	5 7/8	5 7/8	5 7/8	5 7/8	-	-	-
US Dollar CDs	-	5.61	5.61	5.61	5.61	-	-	-
week ago	-	5.61	5.60	5.60	5.64	-	-	-
ECU Linked Ds	-	5 3/4	5 3/4	5 3/4	5 3/4	-	-	-
week ago	-	5 3/4	5 3/4	5 3/4	5 3/4	-	-	-
SDR Linked Ds	-	3 5/8	3 5/8	3 5/8	3 5/8	-	-	-
week ago	-	3 5/8	3 5/8	3 5/8	3 5/8	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 19	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 3/16 - 4 1/16	4 3/16 - 4 1/16	4 1/4 - 4 1/8	4 5/16 - 4 3/16	4 3/8 - 4 1/4	4 7/16 - 4 5/16
Danish Krone	6 1/2 - 6 1/4	5 1/2 - 5 1/4	5 5/8 - 5 7/16	5 3/4 - 5 5/8	5 7/8 - 5 5/8	5 13/16 - 5 11/16
D-Mark	4 1/8 - 4	4 3/16 - 4 1/16	4 1/8 - 4	4 1/8 - 4	4 1/8 - 4	4 1/8 - 4
Dutch Guilder	3 15/16 - 3 13/16	3 15/16 - 3 13/16	3 31/32 - 3 7/8	4 1/32 - 3 15/16	4 1/32 - 3 15/16	4 1/8 - 4 1/16
French Franc	6 1/4 - 5 7/8	7 - 6 5/8	7 - 6 3/4	7 1/16 - 6 3/4	7 - 6 3/4	6 15/16 - 6 5/8
Portuguese Esc.	8 15/16 - 8 13/16	8 15/16 - 8 13/16	9 1/16 - 8 15/16	9 1/4 - 9 1/8	9 3/8 - 9 1/4	9 5/8 - 9 3/8
Spanish Peseta	9 3/8 - 9 1/4	9 7/16 - 9 5/16	9 1/2 - 9 3/8	9 1/2 - 9 3/8	9 5/8 - 9 1/2	9 3/4 - 9 5/8
Sterling	6 5/8 - 6 3/8	6 1/2 - 6 3/8	6 11/16 - 6 5/8	6 3/4 - 6 11/16	6 29/32 - 6 25/32	6 15/16 - 6 13/16
Swiss Franc	1 3/4 - 1 1/2	1 13/16 - 1 11/16	2 1/8 - 2	2 1/4 - 2 1/8	2 1/4 - 2 1/8	2 3/16 - 2 1/16
Can. Dollar	6 3/16 - 6	6 1/4 - 6 1/16	6 1/4 - 6 1/8	6 3/8 - 6 1/4	6 7/16 - 6 5/16	6 7/16 - 6 5/16
US Dollar	5 3/4 - 5 1/2	5 13/16 - 5 11/16	5 7/8 - 5 3/4	5 13/16 - 5 11/16	5 7/8 - 5 3/4	5 7/8 - 5 3/4
Italian Lira	8 3/16 - 8 5/16	10 3/16 - 10 1/16	10 3/8 - 10 1/8	10 5/8 - 10 1/2	10 5/8 - 10 3/8	10 3/4 - 10 5/8
Yen	11/32 - 7/16	3/8 - 1/4	11/32 - 7/32	3/16 - 1/16	3/32 - 7/32	9/16 - 7/16
Asian $Sing	3 1/4 - 3 1/8	3 1/8 - 3	3 - 2 7/8	3 - 2 7/8	3 - 2 7/8	3 1/8 - 3

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.08	93.12	+0.03	93.14	93.08	1,529	40,298
Mar	93.87	93.89	+0.01	93.90	93.86	324	30,428
Jun	94.22	94.26	+0.04	94.26	94.25	176	29,636

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.98	95.96	-0.03	96.00	95.95	26801	134810
Mar	96.08	96.08	-0.02	96.11	96.06	24395	155438
Jun	95.99	96.00	-0.01	96.03	95.97	14303	118957
Sep	95.79	95.81	-	95.82	95.78	9240	92984

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.44	89.42	-0.05	89.48	89.40	8620	32547
Mar	89.76	89.73	-0.04	89.78	89.71	1831	23905
Jun	89.92	89.90	-0.02	89.92	89.87	533	13163
Sep	89.92	89.93	-0.02	89.94	89.91	171	7931

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.69	97.73	+0.06	97.75	97.69	6818	22146
Mar	97.75	97.80	+0.05	97.83	97.75	4465	16844
Jun	97.67	97.71	+0.06	97.72	97.67	480	6000
Sep	97.47	97.53	+0.06	97.54	97.47	232	3256

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.26	94.27	-0.02	94.32	94.25	1937	8783
Mar	94.47	94.46	-0.01	94.50	94.44	636	3911
Jun	94.45	94.46	-0.01	94.46	94.44	60	2506
Sep	94.34	94.33	+0.01	94.34	94.30	25	1438

* LIFFE futures also traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.23	94.24	-0.01	94.25	94.22	42,002	395,215
Mar	94.42	94.43	-	94.44	94.39	51,917	368,684
Jun	94.41	94.43	+0.01	94.43	94.38	25,671	249,139

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

Dec	94.83	94.83	-0.01	94.83	94.82	950	11,773
Mar	94.90	94.92	-	94.92	94.89	188	4,051
Jun	94.91	94.90	-0.04	94.91	94.90	10	164

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
9575	0.22	0.24	0.36	0.39	0.01	0.03	0.03	0.06
9600	0.03	0.07	0.17	0.22	0.07	0.11	0.09	0.14
9625	0.01	0.02	0.06	0.10	0.30	0.31	0.23	0.27

Est. vol. total, Calls 7744 Puts 3113. Previous day's open int., Calls 224269 Puts 223122

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9750	0.27	0.37	0.41	0.04	0.07	0.20
9775	0.09	0.20	0.26	0.11	0.15	0.30
9800	0.03	0.08	0.14	0.30	0.28	0.43

Est. vol. total, Calls 375 Puts 75. Previous day's open int., Calls 5104 Puts 800

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
8925	0.43	0.83	1.02	0.26	0.35	0.37
8950	0.29	0.68	0.85	0.37	0.43	0.45
8975	0.18	0.52	0.70	0.51	0.54	0.55

Est. vol. total, Calls 935 Puts 200. Previous day's open int., Calls 13158 Puts 5899

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 19		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.87	17.05	4.858	2.138	5481	5.442	21.38	512.0	420.0	23.28	3.959	2.186	4.591	3.437	345.9	2.641
Denmark	(DKr)	52.98	10	9.033	2.574	1.133	2904	2.883	11.33	271.3	222.5	12.34	2.098	1.158	2.433	1.821	183.3	1.399
France	(FFr)	58.66	11.07	10	2.849	1.254	3215	3.192	12.54	300.3	246.3	13.66	2.322	1.282	2.693	2.016	202.9	1.549
Germany	(DM)	20.59	3.885	3.509	1	0.440	1128	1.120	4.401	105.4	86.45	4.793	0.815	0.450	0.945	0.707	71.20	0.544
Ireland	(I£)	46.77	8.827	7.973	2.272	1	2563	2.545	10.00	239.5	196.4	10.89	1.852	1.022	2.147	1.607	161.8	1.235
Italy	(L)	1.824	0.344	0.311	0.089	0.039	100.	0.099	0.390	9.342	7.663	0.425	0.072	0.040	0.084	0.063	6.310	0.048
Netherlands	(Fl)	18.38	3.468	3.133	0.893	0.393	1007	1	3.929	94.09	77.18	4.279	0.728	0.402	0.844	0.632	63.56	0.485
Norway	(NKr)	46.77	8.827	7.973	2.272	1.000	2563	2.545	10	239.5	196.4	10.89	1.852	1.022	2.147	1.607	161.8	1.235
Portugal	(Es)	19.53	3.686	3.330	0.949	0.418	1070	1.063	4.176	100.	82.02	4.547	0.773	0.427	0.897	0.671	67.55	0.516
Spain	(Pta)	23.81	4.494	4.059	1.157	0.509	1305	1.296	5.091	121.9	100.	5.544	0.943	0.521	1.093	0.818	82.35	0.629
Sweden	(SKr)	42.95	8.106	7.322	2.086	0.918	2354	2.337	9.183	219.9	180.4	10	1.700	0.939	1.972	1.476	148.5	1.134
Switzerland	(SFr)	25.26	4.767	4.306	1.227	0.540	1384	1.374	5.400	129.3	106.1	5.881	1	0.552	1.160	0.868	87.38	0.667
UK	(£)	45.74	8.633	7.798	2.222	0.978	2507	2.489	9.780	234.2	192.1	10.65	1.811	1	2.100	1.572	158.2	1.208
Canada	(C$)	21.78	4.111	3.713	1.058	0.466	1194	1.185	4.657	111.5	91.48	5.071	0.862	0.476	1	0.749	75.33	0.575
US	($)	29.10	5.492	4.961	1.413	0.622	1595	1.583	6.221	149.0	122.2	6.775	1.152	0.636	1.336	1	100.6	0.768
Japan	(Y)	28.91	5.457	4.929	1.405	0.618	1585	1.573	6.182	148.0	121.4	6.732	1.145	0.632	1.327	0.994	100.	0.764
Ecu		37.86	7.147	6.455	1.839	0.810	2075	2.060	8.096	193.9	159.0	8.816	1.499	0.828	1.738	1.301	131.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7044	0.7102	+0.0055	0.7115	0.7042	22,098	49,296
Mar	0.7103	0.7137	+0.0060	0.7142	0.7103	110	2,619
Jun	-	0.7155	+0.0049	0.7155	-	1	69

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

Dec	0.8699	0.8743	+0.0041	0.8762	0.8682	15,248	31,853
Mar	0.8806	0.8821	+0.0045	0.8835	0.8790	44	1,755
Jun	-	0.8900	-	0.8900	-	380	402

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0013	1.0031	+0.0016	1.0045	1.0001	17,701	58,589
Mar	1.0175	1.0183	+0.0020	1.0192	1.0158	1,260	6,799
Jun	-	1.0303	-	-	-	2	333

■ STERLING FUTURES (IMM) £62,500 per £

Dec	1.5652	1.5712	+0.0052	1.5722	1.5686	9,478	36,583
Mar	-	1.5680	-	1.5680	-	21	210
Jun	-	1.5620	-	1.5630	-	2	10

EMS EUROPEAN CURRENCY UNIT RATES

Oct 19	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.09238	-0.0015	-2.78	6.73	21
Belgium	39.3960	38.4321	-0.0424	-2.45	6.37	18
Germany	1.91007	1.86815	-0.0014	-2.19	6.10	22
Austria	13.4383	13.1477	-0.0081	-2.16	6.06	16
Spain	162.493	161.555	-0.14	-0.58	4.37	4
Denmark	7.28580	7.25748	-0.00087	-0.39	4.18	3
Portugal	195.792	196.872	-0.09	0.55	3.20	-4
France	6.40608	6.56196	+0.00446	2.43	1.31	-20
Ireland	0.792214	0.822089	+0.002417	3.77	0.00	-25
NON ERM MEMBERS						
Greece	292.867	306.849	-0.605	4.77	-0.98	-
Italy	2106.15	2108.72	+0.22	0.12	3.64	-
UK	0.786652	0.840080	+0.002403	6.79	-2.83	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
1.540	2.91	3.53	4.01	0.31	0.98	1.54
1.550	2.19	2.87	3.39	0.54	1.32	1.92
1.560	1.52	2.34	2.84	0.80	1.74	2.36
1.570	0.99	1.84	2.39	1.28	2.24	2.83
1.580	0.61	1.62	1.97	1.89	2.52	3.39
1.590	0.33	1.42	1.59	2.56	2.77	4.01

Previous day's vol., Calls 8,662 Puts 7,232. Prev. day's open int., Calls 233,502 Puts 259,298

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

UK INTEREST RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.28	93.30	-	93.32	93.27	12022	95467
Mar	93.38	93.39	-	93.42	93.36	20884	59588
Jun	93.30	93.34	+0.01	93.38	93.29	13167	45661
Sep	93.10	93.15	+0.02	93.18	93.10	6372	33495
Dec	92.89	92.94	+0.03	92.95	92.89	2218	24794

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9325	0.14	0.36	0.47	0.09	0.22	0.38
9350	0.04	0.22	0.34	0.24	0.33	0.50
9375	0.01	0.13	0.23	0.46	0.49	0.64

Est. vol. total, Calls 1245 Puts 1872. Previous day's open int., Calls 141538 Puts 134049

LONDON MONEY RATES

Oct 19	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 1/2 - 5	6 1/2 - 6 1/4	6 11/16 - 6 9/16	6 13/16 - 6 11/16	6 7/8 - 6 3/4	6 7/8 - 6 3/4
Sterling CDs	-	-	6 21/32 - 6 19/32	6 23/32 - 6 21/32	6 3/4 - 6 11/16	6 3/4 - 6 11/16
Treasury Bills	-	-	6 5/8 - 6 9/16	6 5/8 - 6 9/16	-	-
Bank Bills	-	-	6 21/32 - 6 19/32	6 21/32 - 6 19/32	6 5/8 - 6 9/16	-
Local authority deps.	6 7/16 - 6 5/16	6 7/16 - 6 5/16	6 11/16 - 6 9/16	6 3/4 - 6 5/8	6 13/16 - 6 11/16	6 7/8 - 6 3/4
Discount Market deps	6 3/16 - 5 7/8	6 5/8 - 6 1/2	-	-	-	-

UK clearing bank base lending rate 6 3/4 per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5 3/4	5 3/4	6	6 1/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc.
Ave. tender rate of discount 6.6001pc. ECGD fixed rate Stg. Export Finance. Make up day Sep 29, 1995. Agreed rate for period Oct 25, 1995 to Nov 25, 1995, Schemes II & III 8.04pc. Reference rate for period Sep 1, 1995 to Sep 29, 1995, Schemes IV & V 6.795pc. Finance House Base Rate 7pc from October 1, 1995

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cn 2nd Pf.		59½‡	—	98	50¼	6.31	19.8	–
9¼pc Non-Cum Pf		4¾‡	—	118½	3	1.90	–	–
Cater Allen	♣v	483	—	525	418	157.5	7.5	7.3
Close Bros	♣qv	316xa	+2	*349½	216¼	379.5	3.4	φ
Gerrard & Nat	♣v	448	—	498	395	278.6	6.3	14.5
Hambros	v□	205	-5	233	180	363.1	4.6	51.7
7½pc Cv Pf		102	-1½	112	94	131.4	9.2	–
Joseph (L)	♣v	423	—	463	353	22.4	5.2	23.6
King & Shaxson	♣v	128	—	145	85	33.2	8.7	10.0
Rea Brothers	♣v	45	—	97	44	21.9	2.8	18.0
Schroders	♣†hv□	1373xd	+5	*1478	906¾	2,073	1.3	19.6
N/V	†hv	1125xd	+5	*1188	823¼	495.0	1.6	16.0
Singer & Fried	♣†v□	107xd	—	110	81	210.5	4.3	11.1
Union	♣v□	109	—	121	70	28.0	3.4	–
Whitrust	♣v	285	—	285	200	23.1	4.8	16.9

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

Trans Can Pipe ♥ 8½ -1/16 9 7 13/16 1,542 4.7

SOUTH AFRICANS

	Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31[illegible]	—	234	£29	2,109	2.6	Φ
Barlow	♣	£8[illegible]	-[illegible]	£9[illegible]	£4[illegible]	1,836	1.2	29.9
Gold Flds Prop R		149xd	—	152	118	14.9	7.2	6.6
MK Props		85	—	85	85	3.46	13.6	-
SASOL	♥	547	-18	649	435	3,283	2.5	-
SA Brews		£20[illegible]	—	£20[illegible]	£12[illegible]	5,884	1.7	Φ
Standard Bank	□	£23[illegible]	-[illegible]	£24[illegible]	£20[illegible]	2,831	1.9	16.6
Tiger Oats		1087	+65	1087	700	1,805	1.4	26.2
Tongaat-Hulett	†a	825	-7	835	636	751.9	1.7	24.6

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on SMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181 Jersey 01534 71696
Private Clients 0800 414161 00 352 25040430
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

	Selling Price	+or-	Yield Grs
A$ Accum	A$18.018	+0.002	6.40
Asch Accum	Sch245.50	-0.02	2.80
BFr Accum	BFr590.23	-0.05	2.90
C$ Accum	C$17.380	-0.002	5.30
Dkr Accum	DKr111.27	-0.01	4.20
DM Accum	DM37.448	+0.003	3.00
DFl Accum	DFl31.045	+0.003	2.80
ECU Accum	Ecu13.021	+0.002	4.60
FM Accum	FM107.93	+0.05	4.30
FFr Accum	FFr84.923	+0.008	6.00
HK$ Accum	HK$115.73	-0.02	5.70
I£ Accum	I£11.787	+0.001	4.70
Lire Accum	L21719	+8	9.80
NZ$ Accum	NZ$36.982	+0.009	7.90
NKr Accum	NKr108.82	+0.01	3.90
Pts Accum	Pts3026.4	-0.6	7.90
S$ Accum	S$25.890	-0.003	1.20
SPta Accum	Pta2549.4	+0.5	8.70
£ Accum	£12.501	+0.002	5.70
SKr Accum	SKr114.27	-0.02	7.90
SFr Accum	SFr29.166	+0.001	1.20
US$ Accum	$22.530	+0.003	4.80
Yen Accum	Y2687.8	—	0.10

Prices for dealing October 19

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall World Umbrella Fund Ltd

	Selling Price	Buying Price	+or-	Yield
Eurobond	$15.57	16.38	—	2.79
Money (2)	$13.72	14.41	+0.01	3.28
Mortgage (z)	C$22.20	23.32	-0.02	8.59
North American	$13.88	14.37	-0.32	-
Overseas	$17.91	18.82	-0.17	-
Tiger	$17.88	18.77	-0.10	-
UK Small Cos	£1.19	1.26	-0.02	0.00

Newport Investment Management
73 Front street, Hamilton, Bermuda
Dealing: 01481 726268

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda 809 292 8370
Orion Oct 12 | $26.25

BERMUDA (REGULATED)(**)

Bermuda Intl Invmnt Mgmnt Ltd
Anchor Intl Oct 17 | $25.28 | 25.39 | | 1.23
Gta Intl Currency Oct 3 | $19.46 | 19.66

Bermuda Int'l Bond Funds
Bermuda Intl Equity Funds
Bermuda International Money Fund (z)
Global Manager (z)

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd
Adams & Neville Fd Mangt (Guernsey) Ltd
Equitable International Fund Managers Ltd
Guinness Flight Fd Mgrs (Guernsey) Ltd
Hambros Fd Mgrs (CI) Ltd
Kleinwort Benson Intl Fd Mgrs Ltd
Lazard Fund Managers (Channel Islands) Ltd
Lloyds Intl Money Market Fund Ltd
M & G (Guernsey) Ltd
Prudential Fund Managers (Guernsey) Ltd
Rothschild Asset Management (CI) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021
Intl Currencies Fd Ltd
Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 248, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710651

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd
Apollo Investment Management Ltd
Arab Bank Fund Managers (Guernsey) Ltd
Bachmann Global Investment Fund Ltd
CIBC Fund Managers (Guernsey) Ltd
Commercial Union Captives Inv Mngt
CUCIM Trust | £1.0239 | +0.0011 | 6.73
Consulta (Channel Islands) Limited
Dantrust Management (Guernsey) Ltd
Global Portfolio Management (Guernsey) Ltd
Guernsey Capital Management Limited
Hambros Fund Managers (CI) Ltd
Hauteville Fund Managers (Guernsey) Ltd
Hewlett Throgmorton Mngmt Ltd
IPS (Guernsey) Ltd
Kleinwort Benson Intl Fd Mngrs Ltd
Lazard Fund Managers (CI) Ltd
Lazard Freres Asset Management (CI) Ltd
Merrill Lynch Guernsey
Metallgesellschaft (Guernsey) Limited
Nikko Capital Mngt (Europe) Ltd
Paragon Asset Management Ltd
Rothschild Asset Mngmt (CI) Ltd
Royal Bank of Canada Intl Money Market Fd
Sarasin International (Guernsey) Ltd
Schroder Investment Mngmt (Guernsey) Ltd
Swiss Fund Management (Guernsey) Ltd
UBK Asset Management (Guernsey) Ltd
U.S. Advisors (Guernsey) Limited

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd
Bank of Cyprus Group
Bank of Ireland Unit Managers Ltd
Coutts & Co Fund Managers Ltd
Hill Samuel Unit Trust Managers (Ireland) Ltd
The Fiduciary Trust Global Fund
GAM Fund Management Ltd

GT Asset Management (Ireland) Ltd
Guinness Flight Select Funds Plc
Henderson Crosthwaite Investment Co
Morgan Grenfell Investment Funds Ltd
Old Mutual International Fd Mngrs Ltd
Prolific International Fund Plc
Scottish Value Management (Ireland) Ltd
Royal Bank of Canada Intl Money Market Fd
Swiss Life Investment Fund – Prolemus

IRELAND (REGULATED)(**)

AIB Fund Managers (Ireland) Ltd
Apollo Fund Plc
Argenta European Hedge Fund plc
Asia Dynamic Growth Fund Plc
Asia Small Cos Growth Fund Plc
Asian Diversified Equity Fund Plc
Asian Gateway Fund
Atlantis Korean Smaller Companies Fund
BT Fund Managers (Ireland) Ltd
Bank of Ireland Asset Mngmt (IOM) Ltd
Baring Mutual (Ireland) Ltd
Berkshire KTC Growth Fund Plc
Berkshire Korea Fund Plc
CFP Interest Rate Arbitrage Fund Plc
Calpine Fund

Capital Vision Fund Plc
Chemical Ireland Fund Administrators Ltd
Citizens Investment Trust Mngt Company
DIT Dresdner Global Strategies Fund
Daiwa Europe Fund Managers Ireland Ltd
Dragon Korea Fund Plc
Dynamic Pacific Portfolio Fund Plc
Egerton Capital European Fund Plc
Emerging Dynamic Fund Plc
Emerging Market Growth Fund Plc
F.I.T. Investment Trust Ltd
Falcon Market Fund Plc
Framlington Investment Mngmt (Ireland) Ltd
Frank Russell Investments (Ireland) Ltd
GM Fund Management (Ireland) Ltd
GT Asset Management (Ireland) Ltd
Global Resources Stock Fund
Gordon House Asset Management Ltd
Henderson Fund Managers (Ireland) Ltd
Kim Europe Worldwide Fund
Kim Far East Fund Plc
Kim Korea Fund Plc
Kleinwort Benson Bond Arbitrage Fund Plc
Kleinwort Benson Derivative Products Fd Plc
Korea Balanced Return Fund
Korea CB Fund Plc
Korea Capital Growth Fund
Korea Golden Dynasty Fund Plc
Korea Investment Management Ireland Ltd
Korea Open Fund
Korea Sprint Fund Plc
Korea Strategic Growth Fund
Korea Sunrise Fund
Korean Emerging Growth Fund Plc
Korean Power Fund
Korean Preferred Share Fund
Morgan Grenfell Fund Managers Funds Plc
Morgan Grenfell Profunds Plc
National Mutual Funds Management
New Silk Road Fund
Old Mutual International (Ireland) Ltd
Orbit Balanced Fund Plc
Pacific 21st Century Fund
Pacific Growth Fund Ltd
Paine Webber Offshore Funds Plc
Pictet Asset Management (Ireland) Ltd
Schroder Investment Mngmt (Ireland) Ltd
J. Rothschild International Assce plc
Ulster Bank Investment Services
Value Express Fund Plc
Yamaichi Samsung Dynamic Korea Fund
Yellow Sea Investment Company PLC
Yield Korea Fund

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mgrs
Ashburton Global Funds Ltd
Bank of Ireland Asset Mngmt (IOM) Ltd

Mercury Fund Managers (IoM) Ltd
Dollar Intl Mngt (IoM) Ltd
Sun Life Management (IoM) Ltd
Ulster Bank Global Funds Plc
Midland Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs
Bank of Ireland Asset Mngmt (IOM) Ltd
City Financial Admin (IoM) Ltd
Duncan Lawrie Inv. Mgt. Ltd
SHB Fund Managers Ltd
Sylvain International Fund Management Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd
Barclays International Funds
Coutts & Co (Jersey) Fund Managers Ltd
Gartmore Fund Managers Intl Ltd
John Govett (Channel Islands) Ltd
Hill Samuel Fund Mngrs (Jsy) Ltd
Lloyds Bank (CI) UT Mgrs.
Midland Bank Fund Managers (Jersey) Ltd
Newton Fund Mgrs (CI) Ltd
Save & Prosper International
Schroder Investment Mngmt (Jersey) Ltd
Royal Bank of Canada (Jsy) Fd Mgt Ltd
Standard Bank Fund Mngt (Jersey) Ltd

JERSEY (REGULATED)(**)

Barclays Intl Funds
Cantrade Investment Mgt Ltd
Guinness Flight Fund Managers (Jersey) Ltd
Fleming Group
Rea Brothers (Jersey) Ltd

John Govett Management (Jersey) Ltd
INVESCO International Limited
Jupiter Tyndall (Jersey) Ltd
Lloyds Private Banking (CI) Ltd
Lombard Odier (Jersey) Ltd
Lockwood Financial Services Limited
Mercury Asset Mngt Channel Islands Ltd.
Minerals, Oils Res. Shrs. Fd. Inc.
Perpetual UT Mngrs (Jersey) Ltd
The Portugal Fund Limited
Royal Bank of Canada Intl Fd Mgt Ltd
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd
Schroder Mngt Services (Jersey) Ltd
Schroder Kemp-Gee Mngmt Jersey
TSB Fund Managers (CI) Ltd
Worldwide (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds
Alliance Phoenix Investment Portfolios
Abtrust Fund Mngrs Luxembourg SA
Bank Von Ernst & Cie AG
BAII Asset Management Ltd
Barclays Diversified Portfolio
Banque Indosuez
Barclays Inv Funds (Luxembourg)
CMI Asset Management
Citibank
Credit Suisse
DB Investment Management SA
Dresdner Bank Investment Management
Gartmore Luxembourg Asset Mngmt
Kredietbank SA
Cresvale Group

Den norske Bank
Dolphin Intl Investments SA SICAV
Dresdnerbank Asset Mngmt SA
E.T. Investment Management Ltd
Eagle Star – Global Assets Fund
Equity Global SICAV
European Mortgage Fund
Fidelity Funds
Fleming Group
Fleming Flagship Fund
Foreign & Colonial Emerging Markets Ltd
Gartmore
Hypo Foreign & Colonial Port Fd Sicav
HSBC Investment Funds Luxembourg SA
INVESCO International Limited
Investment Management SA
Jardine Fleming
Kleinwort Benson Select Fund
Liberty Prospect World Portfolio
Lloyds Bank Luxembourg
Lombard Odier
Mercury Asset Management S.A.
Morgan Grenfell

Mercury Asset Management
Midland Intl Circuit Fund SICAV
Nikko Capital Management
Pioneer Global Fund
PRISMA
Putnam World Trust
S-E-Banken Luxembourg SA
Sarasin Investment SICAV
Schroder International Selection Fd
Schroder Pacific Growth Fd
Scottish Equitable Intl Fund SICAV
Sun Life Global Management Ltd
Templeton Global Strategy Funds
Thornton

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund
Alliance Capital
Americas Trust SICAV
Atlantis Sicav
BAII Asset Management
Banque Paribas
Banque Indosuez
CFO Fund International
CSFB Umbrella
Capel-Cure Myers Intl Fd Sicav
Carlson Investment Management
Citicorp Investment Mngt (Luxembourg) SA
Clan European Asset Value Fund
Clements Korea Emerging Growth Fund

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هكذا من الأصل

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Credit Investment Funds

Chameleon Funds Limited

	Selling Price	Buying Price	+ or -	Yield Gross
UK Equity Fund	£140.35	141.71	—	—

Chescor Indian Investment Company Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Scudder Cos Pfolio Oct 13		$5.84	—	—

The China Fund

The China Invest & Development Fd Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Red Ptg Pref NAV Oct 1		$10.4	-0.21	—

Citibank Global Asset Mgmt (Asia) Ltd

Citizens Investment Trust Mgt Co Ltd

Clariden Bank

Coast Asset Management Corporation

Columbus Asset Management Ltd

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Republic Funds

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Lack of follow-through halts market's advance

By Steve Thompson, UK Stock Market Editor

An inevitable flurry of profit-taking took the leading UK equities back from their hard won record levels yesterday.

A broad retreat across the stock market was said to have been partly due to profit-taking but also to the increased nervousness affecting Wall Street and bond markets.

In the background, the recent concerns about currencies put renewed pressure on some of the continental European stock markets. Some international strategists talked of switching out of vulnerable, overbought markets and into so-called safe haven areas.

At the end of a session featured by disappointingly low turnover, the FT-SE 100 index settled a net 14.4 lower at 3,578.6. There was more comfort for holders of second-tier stocks, with the FT-SE Mid 250 index finishing the day only 3.1 off at 3,938.2.

There was also an element of disappointment at the more speculative end of the market with the absence of any of the much rumoured takeover bids expected by many in the financial sector. And dealers began to adopt a cautious stance in equities ahead of the expiry today of October index options.

Traders said that, given a reasonable performance by Wall Street and the bond market, the FT-SE 100 should be in good enough form to enable dealers to pin the expiry around the 3,600 level. Thereafter, *the market is expected to make further progress.*

Bank shares have been racing ahead, ever since the proposed link-up between Lloyds Bank and TSB at the beginning of last week, while many of *the fund management* stocks have surged on talk of imminent bids from home and abroad. Insurances are the latest stocks to attract the attention of speculators who see the sector *as ripe for consolidation.*

The day's economic news from Europe and the US caused only minor ripples across the market. In the UK, the M4 money supply figures were easily absorbed, while news from the US of an increase in *the prices paid component of the* Philadelphia Fed survey caused few problems in the US bond market.

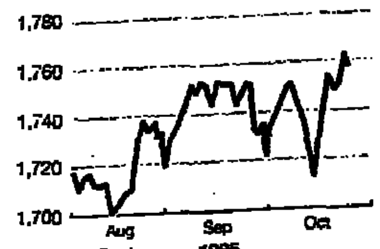
The FT-SE Mid 250's good showing owed much to some excellent gains in the fund management sector, *where Gartmore, in which* Banque Indosuez's 75 per cent stake is up for sale, figured prominently. M&G was another stock to attract keen support.

Pearson, the media group which *owns the Financial Times, was the* second-best performer in the FT-SE 100, with the market full of stories of break-up valuations, ranging from 835p to 900p a share.

On the downside, Smith & Nephew, the healthcare group, was hit by news that Johnson & Johnson, the US group long seen as a potential bidder for the UK group, had bid \$1.6bn for Cordis, the US medical company, thereby diminishing hopes of a move against S&N.

Turnover reached 659.7m shares, well down from recent levels of activity in the market. Customer business on Wednesday was worth £1.9bn, a disappointment to many who had expected the total to *exceed £2bn.*

FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover

Indices and ratios

FT-SE 100	3578.6	-14.4
FT-SE Mid 250	3938.2	-3.1
FT-SE-A 350	1779.4	-5.9
FT-SE-A All-Share	1757.31	-5.47
FT-SE-A All-Share yield	3.80	(3.79)

FT Ordinary index	2621.2	-15.3
FT-SE-A Non Fins p/e	17.01	(17.06)
FT-SE 100 Fut Dec	3608.0	-20.0
10 yr Gilt yield	8.07	(8.05)
Long gilt/equity yld ratio:	2.20	(2.21)

Best performing sectors

1. Other Financial .... +0.9
2. Media .... +0.5
3. Banks, Merchant .... +0.1
4. Insurance .... +0.1
5. Leisure & Hotels .... +0.1

Worst performing sectors

1. Gas Distribution .... -2.2
2. Tobacco .... -1.8
3. Retailers, Food .... -1.1
4. Health Care .... -1.0
5. Engineering, Vehicles .... -0.8

Two-way pull in telecoms

Stocks in the telecommunications sector moved in sharply different directions as Vodafone resisted the market weakness and BT slipped back on heavy turnover.

Vodafone was helped by an options trade carried out by SBC Warburg – the issue of 100,000 call warrants on a basket of six European mobile phone groups, Vodafone, Telecom Italian Mobile, Mannesmann, Kinnevik, Ericsson and Nokia. It came on the day when Nokia produced eight-month figures that disappointed some investors. It also follows a savaging of the telecoms sector prompted by recent caution from Motorola, of the US.

Vodafone shares climbed 6 to 269½p, while BT fell 4½ to 387½p with 17m shares traded.

BT, a liquid stock that always offers an easy route in and out of the market, suffered from the impact of a downgrading by US brokerage Lehman Brothers.

Lehman reduced its view on the stock to neutral from outperform, saying it was expensive compared with other *European phone companies.*

It said BT's dividend and earnings growth were likely to be less than some European rivals, because of the company's heavy planned expenditure on upgrading local telephone lines, so that they can accommodate a fully fledged home entertainment service.

Pearson active

Media conglomerate Pearson rose 18 to 661p on tabloid press speculation that Cazenove, the company's broker, had produced a circular detailing Pearson's potential break-up value.

Cazenove never comments publicly on market rumours but did assure a company spokesman that there was no such circular. James Capel was also said to have produced a break-up valuation. The agency broker said it had not published anything or spoken about the company yesterday but was preparing a note.

There was also vague talk that Pearson, which owns the Financial Times, might be interested in disposing of its merchant banking arm. Meanwhile, Panmure Gordon said it had done a "sum of parts" exercise which valued the company at 750p a share.

Publisher Reed International bounced 11 to 964p as Credit Lyonnais Laing highlighted the stock as one of its key buys in the sector, arguing: "We prefer those stocks exposed to professional markets which will enjoy stabler revenues and *stronger growth than the more* domestic, more cyclical consumer companies."

Trafalgar steadies

Troubled conglomerate Trafalgar House confounded market watchers and reacted favourably to news that 26.1 per cent stake holder Hongkong Land would not withdraw its support from the group.

The shares initially fell to 19p, after it published a trading statement that warned of increased losses and heavy *restructuring provisions. The* company further warned that payment of preference dividends is "doubtful".

However, there was a turnaround in sentiment mid-morning as attention shifted to a closer examination of the statement of support from Hongkong Land. One dealer said: "The statement cleared the air a little and it seemed enough to convince some people the shares are worth a punt. With the way the price has come down there is little downside."

With increased buying throughout the afternoon, the shares rallied off the bottom and eventually finished ¾ ahead at 21¾p. Volume at 29m shares was again heavy, though it fell way short of Wednesday's record of 70m.

But analysts remain sceptical about the prospect of a recovery and one said: "If there is a recovery, it will be a long haul to get any return on this *business. I cannot see any* quick way out."

Sanity crept into the performance of the insurance stocks yesterday as analysts began to look at the extent of cost savings to be gleaned from mergers or acquisitions.

Profit-takers emerged after Credit Lyonnais Laing hit out at an earlier argument by the team at SBC Warburg, which had claimed there were similarities to be drawn between the consolidation in the banks and the potential consolidation in the insurers.

All the leading composite insurers came back from earlier highs, although only General Accident and Royal Insurance were lower on the day, with SGST advising investors to take profits. GenAcc finished 11 off at 675p and Royal, up 50 over the past fortnight, retreated 10½ to 401p.

Guardian Royal Exchange bucked the trend. The smallest *composite stock, it is seen as* the most likely bid target and the shares moved ahead 8 to 249p, the biggest percentage gain in the Footsie.

Fund manager Gartmore rose 11 to 304p as market talk persisted over the potential buyer of Banque Indosuez's 75 per cent stake. BAT Industries is the favoured candidate and the tobacco and insurance conglomerate's shares relinquished 10½ at 537½p.

Mercury Asset Management gained 9 at 963p in anticipation *that it is poised to enter the* FT-SE 100 index.

Smith & Nephew receded 5 to 188½p on turnover of 7.4m shares, heavy for the healthcare stock. The company has been seen for some time as a potential target for Johnson & Johnson, of the US, but yesterday Johnson launched a \$1.6bn bid for Cordis, a medical devices group.

Gases group BOC held out against the market weakness as J.P. Morgan issued a positive note following last week's company visit. The house has raised its 1996 year-end share price target to 900p from 845p. BOC closed a penny up at 871p.

Tring International plummeted 27 to 59p following a profits warning.

Fears of an increasing price war continued to exact a toll on food retailers in heavy trading. *Iceland Group* fell 6 to 166p, making it the day's biggest retreat among FT-SE Mid 250 constituents.

There was heavy trading in several of the other food retailers. *Argyll Group* saw volume of 8.7m as the shares eased a penny to 330½, while Asda Group traded 7.3m and declined 2¼ to 99¼p.

Volume in Tesco had risen to 6.9m by the close, as the shares relinquished 3½ to 307½p.

Hotels and pubs group Bass eased 2 to 673p. There was talk in the market late in the session suggesting the group was lining up a bid for J.D. Wetherspoon, unchanged at 633p.

DFS Furniture held up relatively well, closing 2 off at 343p, after NatWest Securities, the group's broker, recommended the stock. In a note urging investors to "add" to holdings, NatWest said: "Retailers like DFS are a rarity."

Argos advanced 14 to 512p, with James Capel said to have shown a keen interest in the shares. Also in demand was Storehouse, where the shares appreciated 6 to 310p. However, profit-taking after a recent run saw Dixons surrender 6½ to 392p. Body Shop continued to weaken following Wednesday's lower than expected figures, losing 2 at 133p.

W.H. Smith gained 11 at 388p on volume of 1.8m, with James Capel said to have upgraded its recommendation from a "hold" to a "buy" following the group's positive annual meeting earlier this week.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

■ Other statistics, Page 45

FINANCIAL TIMES EQUITY INDICES

	Oct 19	Oct 18	Oct 17	Oct 16	Oct 13	Yr ago	*High	*Low
Ordinary Share	2621.2	2636.5	2620.3	2614.4	2628.6	2356.2	2668.5	2238.3
Ord. div. yield	4.05	4.04	4.07	4.08	4.07	4.37	4.73	4.02
P/E ratio net	16.01	16.05	15.84	15.81	15.85	18.50	21.33	15.35
P/E ratio nil	15.82	15.86	15.65	15.63	15.66	18.03	22.21	15.17

*For 1995 Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2633.5	2636.4	2624.0	2625.3	2625.3	2624.6	2623.8	2621.2	2619.4	2637.7	2616.4

	Oct 19	Oct 18	Oct 17	Oct 16	Oct 13	Yr ago
SEAQ bargains	29,824	29,215	28,372	30,199	30,595	23,005
Equity turnover (£m)†	-	1909.4	1467.4	1283.3	1664.1	1407.3
Equity bargains†	-	34,085	33,292	36,122	35,477	25,658
Shares traded (ml)†	-	639.8	561.4	462.8	586.7	556.1

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	419	Total Highs	112	Total contracts	40,506
Total Falls	680	Total Lows	33	Calls	17,078
Same	1705			Puts	23,428

Oct. 19 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3622.0	3608.0	-20.0	3628.0	3597.0	11270	66571
Mar	-	3636.5	-20.0	-	-	0	2653
Jun	-	3641.5	-30.0	-	-	0	134

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3960.0	-5.0	-	-	0	3538

■ FT-SE 100 INDEX OPTION (LIFFE) (*3578) £10 per full index point

	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P
Oct	185	1	135	1	85½	1½	37	2	4	24	1	74	1	124	1	174
Nov	205½	9	161½	13½	121	23	85	38½	54	59	29	87	13½	125	5½	174
Dec	229½	23	188	32½	151	45	116½	61½	88	82	61½	109	40½	139½	25	176
Jan	245½	33½			174½	56			114	90½			69	134½		
Jun†	325½	89½			247	113			182	152½			135½	201½		

Calls 6,513 Puts 5,143

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P
Oct	160	1	110	1	60½	1½	16½	6½	1½	41	1	90	1	140	1	190
Nov	182½	10	139½	16½	99½	25½	64	40	36	64	21	97	11	136	5	180
Dec	206	25	166	34½	128½	46½	95	62½	66	82½	43½	109½	27½	145½	16½	182
Mar	256	62½			189½	78			127	115½						
Jun†	298½	84			227½	116½			171½	155½						

Calls 3,734 Puts 5,390 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap £m	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
50	F.P.	15.0	71	52	Consolidated Coal	66					
-	F.P.	[illegible]	[illegible]	[illegible]	†Euro Sales Fin	130					
-	F.P.	[illegible]	[illegible]	17½	German Sml Wts	19	+1				
-	F.P.	[illegible]	[illegible]	25	Hay & Robertson	38	-1				
[illegible]	F.P.	[illegible]	[illegible]	52	†M&W Media	61	+1				
-	F.P.	[illegible]	[illegible]	[illegible]	Murray Vct	105					
-	F.P.	[illegible]	95	72	†Ottercare	85		Hv1.5	4.0	2.2	14.3
-	F.P.	[illegible]	[illegible]	60	Pemberstone	60					
[illegible]	F.P.	[illegible]	[illegible]	99	Pollet British	103	+1				
[illegible]	F.P.	[illegible]	400	400	†Preston Nth End	400					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	†SCS Satellite	121					
[illegible]	F.P.	[illegible]	[illegible]	168	Universal Salvage	183		Mv5.07	1.7	3.5	21.2
-	F.P.	-	[illegible]	[illegible]	Upton & Sthn Wts	[illegible]					

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Oct 18	% chg on day	Oct 17	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1837.12	-1.3	1860.78	2283.66	2.04	-	2304.73	1637.91
■ Regional Indices								
Africa (15)	2513.41	+0.1	2511.60	3662.51	4.32	23.12	3711.87	2428.19
Australasia (7)	2275.64	-2.2	2326.01	2867.88	2.21	25.23	2951.49	1788.20
North America (12)	1561.35	-1.7	1609.41	1758.85	0.85	45.37	1831.00	1348.18

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FT - SE Actuaries Share Indices — The UK Series

	Oct 19	Day's chge%	Oct 18	Oct 17	Oct 16	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3578.6	-0.4	3593.0	3562.2	3557.3	3063.2	3.94	2.07	15.33	125.35	1419.45
FT-SE Mid 250	3938.2	-0.1	3941.3	3936.9	3939.0	3524.9	3.47	1.85	19.47	118.11	1532.65
FT-SE Mid 250 ex Inv Trusts	3957.6	-0.1	3960.7	3957.5	3960.2	3521.3	3.60	1.91	18.17	123.65	1540.14
FT-SE-A 350	1779.4	-0.3	1785.3	1773.0	1771.3	1538.7	3.84	2.02	16.09	60.33	1442.46
FT-SE-A 350 Higher Yield	1772.0	-0.5	1780.6	1768.3	1764.8	1538.9	4.89	1.83	14.01	75.98	1191.47
FT-SE-A 350 Lower Yield	1791.7	-0.2	1794.8	1784.4	1782.5	1499.8	2.78	2.39	18.99	43.40	1213.08
FT-SE SmallCap	1965.68	-0.1	1966.91	1964.52	1964.12	1792.77	3.30	1.67	22.73	53.11	1581.83
FT-SE SmallCap ex Inv Trusts	1951.07	-0.1	1952.23	1949.61	1949.37	1762.51	3.52	1.74	20.40	55.79	1578.23
FT-SE-A ALL-SHARE	1757.31	-0.3	1762.78	1751.32	1749.74	1525.58	3.80	2.00	16.45	58.65	1447.82

■ FT-SE Actuaries All-Share

	Oct 19	Day's chge%	Oct 18	Oct 17	Oct 16	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	2943.33	-0.3	2953.65	2936.59	2921.72	2662.28	3.83	2.09	15.64	105.02	1233.59
12 Extractive Industries(7)	4221.39	-0.1	4224.26	4165.18	4168.64	3904.76	3.50	2.51	14.20	143.77	1210.37
15 Oil, Integrated(3)	2918.06	-0.4	2929.30	2916.84	2894.04	2606.39	4.02	2.04	15.25	107.92	1252.15
16 Oil Exploration & Prod(13)	1937.02	-0.7	1950.02	1945.91	1965.26	1900.18	2.59	1.48	32.50	49.88	1149.75
20 GEN INDUSTRIALS(278)	1967.89	-0.4	1975.61	1972.09	1969.65	1869.72	4.18	1.83	16.31	70.36	1050.16
21 Building & Construction(38)	910.47	-0.6	916.03	915.96	917.10	1055.62	4.47	1.87	14.96	36.55	747.21
22 Building Matls & Merchs(31)	1704.35	-0.7	1715.86	1712.75	1709.44	1832.70	4.33	2.02	14.31	65.12	841.74
23 Chemicals(23)	2467.21	......	2466.99	2457.53	2447.80	2342.34	3.90	1.82	17.55	80.65	1141.65
24 Diversified Industrials(20)	1757.72	-0.2	1761.37	1760.66	1768.37	1769.00	5.64	1.58	14.05	87.22	955.10
25 Electronic & Elect Equip(36)	2160.15	-0.8	2177.00	2178.66	2178.29	1868.34	3.46	1.93	18.68	61.51	1100.78
26 Engineering(69)	2176.02	-0.2	2181.82	2170.98	2161.26	1806.98	3.33	1.99	18.81	58.48	1294.16
27 Engineering, Vehicles(13)	2591.09	-0.8	2612.86	2599.22	2581.87	2275.82	3.62	1.38	24.96	89.48	1317.98
28 Paper, Pckg & Printing(27)	2869.27	-0.5	2887.88	2898.58	2886.70	2756.69	3.48	2.48	14.47	86.90	1170.89
29 Textiles & Apparel(21)	1571.29	-0.6	1580.07	1579.76	1577.61	1605.36	4.59	1.78	15.28	51.24	929.17
30 CONSUMER GOODS(92)	3437.22	-0.5	3455.50	3442.89	3458.19	2737.49	3.89	1.77	18.21	117.55	1241.02
31 Breweries(16)	2654.70	-0.6	2671.55	2648.41	2680.93	2232.41	3.75	1.99	16.74	62.79	1241.81
32 Spirits, Wines & Ciders(10)	2956.96	-0.2	2964.36	2964.64	2985.89	2839.98	4.04	1.84	16.77	106.86	1039.69
33 Food Producers(24)	2518.99	-0.3	2526.27	2526.73	2539.63	2286.67	4.02	1.79	17.35	80.34	1107.90
34 Household Goods(11)	2642.37	......	2641.91	2649.84	2643.69	2434.81	3.62	2.04	16.88	59.15	980.19
36 Health Care(17)	1974.10	-1.0	1994.97	2002.20	2011.40	1617.74	2.83	1.82	26.01	48.10	1184.05
37 Pharmaceuticals(11)	4561.43	-0.4	4578.22	4537.13	4550.71	2999.37	3.54	1.57	22.41	153.87	1520.90
38 Tobacco(1)	4553.10	-1.8	4637.81	4654.75	4646.28	3691.20	5.27	1.90	12.52	229.23	1101.53
40 SERVICES(226)	2187.58	-0.1	2189.85	2181.14	2182.57	1906.79	3.05	2.06	19.93	58.24	1116.06
41 Distributors(30)	2705.59	+0.1	2703.57	2704.10	2708.14	2502.65	3.68	1.77	19.23	73.32	974.23
42 Leisure & Hotels(29)	2554.48	+0.1	2552.43	2537.91	2525.46	2079.08	3.13	1.85	21.55	73.28	1306.28
43 Media(43)	3424.36	+0.5	3408.32	3395.69	3388.94	2804.72	2.13	2.40	24.51	77.51	1224.13
44 Retailers, Food(16)	2063.75	-1.1	2086.40	2084.67	2100.99	1711.93	3.49	2.41	14.89	58.55	1282.98
45 Retailers, General(44)	1799.54	-0.2	1803.77	1794.34	1795.50	1852.83	3.26	2.13	17.99	48.97	1008.47
48 Support Services(37)	1867.82	+0.3	1862.31	1853.62	1858.15	1492.28	2.44	2.44	20.98	34.98	1169.22
49 Transport(20)	2204.47	-0.1	2207.45	2197.82	2202.28	2231.65	3.91	1.29	24.87	72.68	899.88
51 Other Services & Business(7)	1199.30	-0.1	1200.64	1202.45	1204.46	1245.85	4.24	1.43	20.61	38.30	1073.71
60 UTILITIES(36)	2549.73	-0.6	2565.00	2543.98	2527.94	2398.06	4.48	2.01	13.92	95.19	1041.49
62 Electricity(14)	2825.48	-0.3	2835.35	2821.22	2797.16	2449.74	3.94	2.92	10.86	116.18	1257.21
64 Gas Distribution(2)	1692.72	-2.2	1731.11	1692.72	1618.89	1907.52	7.08	0.65	27.22	118.82	849.26
66 Telecommunications(7)	2130.18	-0.4	2139.06	2119.40	2125.14	2037.25	3.85	1.71	19.00	51.48	947.46
68 Water(13)	2081.67	-0.3	2088.85	2088.98	2088.55	1904.44	5.51	2.75	8.26	85.07	1106.41
69 NON-FINANCIALS(655)	1860.80	-0.4	1867.80	1859.94	1858.90	1647.70	3.82	1.92	17.01	62.04	1377.15
70 FINANCIALS(113)	2780.57	-0.1	2782.43	2733.41	2726.70	2161.51	4.00	2.45	12.74	101.82	1160.26
71 Banks, Retail(9)	3900.79	-0.2	3906.84	3836.27	3827.58	2829.51	3.73	2.82	11.90	140.81	1230.31
72 Banks, Merchant(6)	3656.70	+0.1	3652.21	3627.80	3640.31	2745.80	2.54	2.74	17.88	91.76	1142.10
73 Insurance(25)	1429.14	+0.1	1427.75	1376.65	1360.61	1244.12	5.16	2.69	9.02	64.55	1040.75
74 Life Assurance(6)	3216.72	-0.1	3220.65	3129.89	3111.60	2359.44	4.34	1.53	18.79	136.72	1310.50
77 Other Financial(22)	2426.94	+0.9	2404.39	2391.08	2394.10	1801.27	3.64	1.95	17.66	62.49	1351.97
79 Property(45)	1359.98	-0.5	1367.05	1378.89	1388.96	1468.47	4.55	1.33	20.58	46.36	815.02
80 INVESTMENT TRUSTS(133)	2950.32	-0.1	2952.02	2943.36	2940.13	2747.58	2.22	1.06	52.85	53.40	1016.37
89 FT-SE-A ALL-SHARE(901)	1757.31	-0.3	1762.78	1751.32	1749.74	1525.58	3.80	2.00	16.45	58.65	1447.82
FT-SE-A Fledgling	1078.70	----	1078.24	1076.72	1075.46	-	2.82	1.26	35.29	25.40	1106.30
FT-SE-A Fledgling ex Inv Trusts	1076.97	+0.1	1075.42	1074.86	1073.34	-	2.96	1.31	32.19	26.43	1105.76

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3587.7	3585.0	3580.8	3581.4	3581.1	3580.4	3579.2	3577.4	3578.0	3596.2	3571.4
FT-SE Mid 250	3939.0	3938.9	3936.8	3936.8	3937.8	3939.0	3938.8	3939.2	3937.3	3939.3	3935.4
FT-SE-A 350	1783.0	1785.8	1780.2	1780.4	1780.4	1780.2	1779.7	1779.1	1778.3	1786.3	1776.6

Time of FT-SE 100 Day's high: 9.57am Day's low: 3.16pm. FT-SE 100 1995 High: 3593.0(18/10) Low: 2954.2 (23/1).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	917.3	917.0	915.1	913.9	914.5	915.6	915.0	915.1	910.9	910.6	916.8	-6.2
Pharmaceuticals	4512.7	4514.4	4505.4	4508.2	4509.3	4507.5	4504.5	4491.3	4496.9	4508.6	4525.1	-16.5
Water	2084.1	2084.5	2079.7	2073.9	2071.2	2071.4	2071.6	2071.6	2075.3	2077.1	2084.4	-7.3
Banks, Retail	3956.5	3976.0	3948.0	3949.3	3954.9	3952.4	3950.0	3956.4	3950.9	3950.6	3956.7	-6.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 19 / Sch)

BELGIUM/LUXEMBOURG (Oct 19 / Frs.)

CZECH REP (Oct 19 / Koruna)

DENMARK (Oct 19 / Kr)

FINLAND (Oct 19 / Mkk)

FRANCE (Oct 19 / Frs.)

GREECE (Oct 19 / Drachma)

ITALY (Oct 19 / Lire)

GERMANY (Oct 19 / Dm.)

NETHERLANDS (Oct 19 / Fls.)

NORWAY (Oct 19 / Kroner)

POLAND (Oct 19 / Zloty)

PORTUGAL (Oct 19 / Escudo)

SPAIN (Oct 19 / Pts.)

SWEDEN (Oct 19 / Kronor)

SWITZERLAND (Oct 19 / Frs.)

TURKEY (Oct 19 / Tk Lira)

PACIFIC

JAPAN (Oct 19 / Yen)

HONG KONG (Oct 19 / H.K.$)

INDONESIA (Oct 19 / Rupiah)

MALAYSIA (Oct 19 / MYR)

NEW ZEALAND (Oct 19 / NZ $)

SINGAPORE (Oct 19 / S$)

AUSTRALIA (Oct 19 / Aust$)

SOUTH KOREA (Oct 19 / Won)

TAIWAN (Oct 19 / TW $)

THAILAND (Oct 19 / Baht)

AFRICA

SOUTH AFRICA (Oct 19 / Rand)

NORTH AMERICA

CANADA

TORONTO (Oct 19 / Can $) 4 pm close

MONTREAL (Oct 19 / Can $) 4 pm close

INDICES

US INDICES

Financial	61.39	61.34	61.18	61.39 (18/10)	41.84 (3/1)	61.39 (18/10/95)	8.64 (1/10/74)
NYSE Comp.	314.29	314.10	312.99	314.33 (20/9)	250.73 (3/1)	314.33 (20/9/95)	4.46 (25/4/42)
Amex Mkt Val	535.16	536.77	534.77	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1045.37	1035.44	1018.13	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

■ RATIOS

	Oct 13	Oct 6	Sep 29	Year ago
Dow Jones Ind. Div. Yield	2.42	2.43	2.42	2.71
	Oct 11	Oct 4	Sep 27	Year ago
S & P Ind. Div. yield	2.09	2.08	2.07	2.43
S & P Ind. P/E ratio	17.74	17.87	17.94	20.33

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Micron	10,549,800	72¼	+1
Compaq	8,580,200	54⅝	+3⅛
IBM	7,302,000	96⅝	-⅛
Wal-Mart	5,489,000	22⅝	...
Motorola	5,080,200	67½	+⅝
Citicorp	4,850,500	68⅛	-3⅝
SGS-Thomson	4,836,700	46⅝	+2⅝
Digital Equip	4,538,400	52¼	+2⅝
K-Mart	4,249,800	10⅝	-⅛
Telefonos	3,982,900	29½	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Oct 18	Oct 17	Oct 16
New York SE	411.280	352.945	298.484
Amex	23.748	16.017	14.382
NASDAQ	568.894	457.210	352.298
NYSE			
Issues Traded	3,044	3,045	3,048
Rises	1,153	1,087	1,044
Falls	1,068	1,104	1,202
Unchanged	823	854	802
New Highs	212	159	138
New Lows	37	46	36

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	590.95	590.95	-	591.40	589.35	77,702	189,111
Mar	595.50	595.75	-	596.10	594.30	222	9,045

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.

INDEX FUTURES

FT FREE ANNUAL REPORTS SERVICE

■ TOKYO - MOST ACTIVE STOCKS: Thursday, October 19, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Oki Electric	8.1m	962	+27	Fujitsu	3.6m	1230	+30
Mitsubishi Hvy	5.2m	782	+10	NEC	3.4m	1370	+40
Toshiba	4.7m	735	+19	Sumitomo Osaka	3.2m	413	+23
NKK	4.5m	285		Nip chemi-Con	3.1m	738	-8
Kawasaki Steel	4.0m	364	+10	Sumitomo Bakelite	2.8m	784	-1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close October 19

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
19	12¼	AAR	0.48	2.7	24	48	17⅞	17⅝	17¾	-⅛
46¼	35	AMP	0.92	2.3	21	3750	40⅛	39⅞	40	+⅛
80¼	53⅜	AMR			17	10576	66½	65	65⅝	-1⅛
47⅞	39¾	ASA	1.71	4.3	26	761	40⅛	d39⅛	39¾	
44¾	30¾	AbbtL x	0.84	2.1	18	14142	40¾	39¼	40¾	+1½
18⅞	12	Abitibi Pr	0.40	2.3	20	3817	17⅞	17¼	17⅜	
27⅞	21	ABM Ind	0.60	2.3	14	100	26⅝	26¼	26½	+⅛
17½	13½	Acptnceln			10	417	15½	15¼	15¼	
35⅞	21⅞	ACE Ltd	0.56	1.6	8	218	35⅝	35⅛	35¼	-⅜
9⅞	8⅛	ACM Gvt In	0.90	9.5	8	456	9⅝	9½	9½	-⅛
7¾	6½	ACM GvOpp	0.65	8.9		39	7⅜	7¼	7⅜	+⅛
7½	5¾	ACM Gvt Sp	0.75	10.7		150	7	6⅞	7	+⅛
8¾	7¼	ACM Gvt Se	0.90	10.4		210	u8¾	8⅝	8⅝	
9½	7⅝	ACM Man	0.90	10.3		118	8¾	8⅝	8¾	
29¼	10¼	AcmeClv	0.48	1.9	12	96	25½	25	25⅛	-¼
38¾	8¼	Acme Steel			77	96	9¼	8¾	9¼	+⅛
34½	23¾	Acordia	0.72	2.8	12	102	25⅝	25	25⅝	+¾
19¼	8⅝	Actava	0.36	1.9	13	1780	u19½	18¾	18⅞	
16¾	10⅛	Acuson			32	243	12¼	12	12¼	-⅛
18⅞	15⅝	Adams Expr	0.46	2.6	0	110	u18⅞	18¾	18¾	-⅛
38⅞	24⅝	AdvMic			8	7317	27⅜	26¾	26⅞	-¾
9½	5	Advest Grp	0.16	1.7	17	44	u9½	9⅜	9⅜	
25⅝	16½	Advo Inc	0.10	0.4	20	703	u25⅝	24⅞	25⅝	+⅝
37½	24.80	Aegon	1.28	3.4	20	195	u38	37⅛	38	+⅝
5⅞	3⅞	Aerflx			8	62	4¾	4⅝	4¾	
75½	46¾	Aetna L	2.76	3.8	52	2550	72½	72	72⅛	-⅜
44¾	31⅞	Aflac	0.52	1.2	13	1199	43⅞	43¼	43⅝	+¼
28⅜	16	Ahmanson	0.88	3.2	16	11576	27⅝	26¾	27⅛	-⅝
59½	43⅞	AirPrC	1.04	2.0	16	3077	52⅛	51½	51⅝	-⅜
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4 pm close October 19

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
56⅞	39⅝	SBC Cm	1.65	3.0	19	4518	u56⅞	53¾	56⅞	+1¾
25½	20½	Scana Corp	1.44	5.7	18	1027	25¼	25	25¼	
18	14½	Sceptr	1.00	5.8	10	3203	17¼	17	17¼	+¼
11¼	7	SchawkA	0.26	3.5	13	63	7¾	7⅜	7½	
50¼	37¼	SchwrnRP			23	271	45⅞	45⅜	45⅝	-⅜
54⅜	35½	SchrPl	1.16	2.1	20	5865	u54⅝	52⅞	54⅝	+1½
69⅝	50⅛	Schlmb	1.50	2.3	25	10483	66¾	64	64½	-2¼
29	11¼	SchwabC	0.16	0.6	26	5361	26½	24⅞	24⅞	-1⅜
24⅞	11⅞	SciAtl	0.06	0.5	14	33728	12¼	d11⅞	12	-1⅛
20	15⅛	Scotman	0.10	0.6	10	67	16¼	16¼	16¼	
61½	33½	ScottP	0.40	0.8	17	6736	u52¼	50¾	51¼	-¼
36¾	28⅞	Scripps	0.52	1.5	24	400	36⅝	35½	35⅝	-1⅛
21½	14⅜	ScuddrNAsF	0.02	0.1		282	15¼	15	15¼	
11⅜	6⅝	ScuddrNEsF x	0.16	1.5		78	10⅞	10¾	10⅞	+⅛
20	13⅞	SeaCnB	0.70	3.6	2	5	19¼	19¼	19¼	-⅛
16¾	14⅝	SeaCT 4625	1.46	9.4		8	15⅝	15½	15⅝	+⅜
49⅞	23⅝	S'gate			10	10718	47¾	46⅞	47⅝	+¼
38⅛	25⅝	Seagrm	0.60	1.6	25	4585	36½	35⅝	36½	+⅞
22½	16¼	Seagull En			11	425	18	17¼	17⅞	-⅛
28¼	18	Sealed Air			23	887	25¾	25½	25¾	+¼
37⅝	30⅜	SearsR	0.92	2.6	8	9747	35⅜	34⅞	35⅜	+½
19¼	16⅞	SecCapStr	1.15	6.3	22	338	18⅛	18	18⅛	-⅛
12⅜	10⅜	Seligm Sel x	0.84	7.0		114	12⅛	12	12	-⅛
38¼	20¼	Sensormat	0.22	1.0	22	8082	23⅜	22⅝	23	-¼
31¾	21⅞	SequaA	0.60	2.3	8	45	26½	25⅝	26½	+⅝
35⅛	23	SequaB	0.50	1.6	16	25	31½	31½	31½	-⅝
40⅞	28¼	ServCp	0.44	1.1	24	1909	40¼	39⅞	40⅛	+⅛

9	7⅞	Zweig Tot R x	0.84	9.7		218	8⅝	8½	8⅝	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s/s-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

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NASDAQ NATIONAL MARKET

4 pm close October 19

AMEX COMPOSITE PRICES

4 pm close October 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
NVR		12	77	9¾	9½	9½	-¼
Pegasus G	0.10	151	2513	12¼	12⅛	12⅛	-¼
Pratol	0.80	27	54	11⅜	11¼	11¼	-⅛
Pittway A	0.50	30	173	60¼	56½	57¾	-2⅝
PMC	1.02	10	67	12¼	12	12¼	+¼
PresidioA	0.10	0	55	⁵⁄₁₆	⁵⁄₁₆	⁵⁄₁₆	

CmpTch		63	127	6¹³⁄₁₆	5½	6¹³⁄₁₆	+1⅙
Computrac		20	103	2¼	2⅙	2⅙	-⅙
Concd FbA		15	5	4¼	4¼	4¼	
HanDir		64	488	2	1¹⁵⁄₁₆	1¹⁵⁄₁₆	-⅙
Nat Pnt		1	241	2⅙	1⅞	2⅙	
NY TmA	0.56	12	2379	30¼	29½	29⅞	-⅜
NumacE		17	33	4¼	d4¼	4¼	
Xytronix		3	84	2⅝	2⅜	2⅜	-⅛

AMERICA

Apple surprise helps weaken tech stocks

Wall Street

US shares were mostly flat in early trading yesterday, although the technology sector gave back some of the gains it had made earlier this week, *writes Lisa Bransten in New York.*

The technology-rich Nasdaq composite shed 5.80 to 1,039.57 to put an end to the rally that led the index nearly 27 points higher on Tuesday and Wednesday. The Pacific Stock Exchange technology index gave up 1.1 per cent in early trading.

Leading the decline was Apple Computer, which gave investors a negative surprise late on Wednesday by reporting earnings of 48 cents a share for the fourth fiscal quarter, 4 cents a share lower than the mean analyst estimate. In early trading Apple shares were 6 per cent or $2¼ cheaper at $35¼.

Microsoft and Intel, the two *largest companies on the Nasdaq*, also slipped yesterday, giving back some of the strong gains made earlier this week after the software company and the semiconductor manufacturer reported stronger than expected earnings. Microsoft was off $½ at $95¼ and Intel shed $1 to $66¾.

Meanwhile, the Dow Jones Industrial Average improved 1.81 to 4,779.33 on the heels of modest gains in the bond market. The more broadly based Standard & Poor's 500 was off 0.43 at 587.01, while the American Stock Exchange composite was 2.32 lower at 532.86. Volume on the NYSE came to 231m shares.

Nokia, the Finnish cellular telephone and electronics company, plunged 15 per cent or $10¼ to $58⅞ after reporting earnings growth of 58 per cent for the quarter.

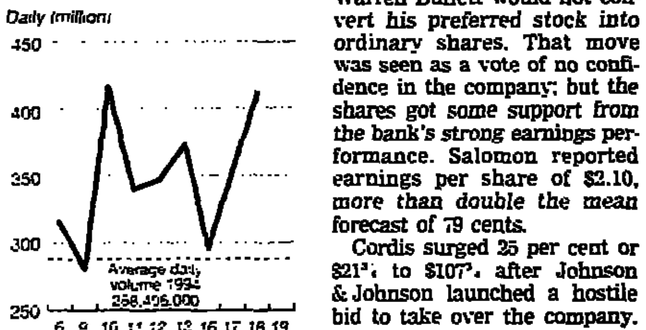
In spite of the strong growth, the company's results were *slightly below analysts' forecasts*, which surprised investors accustomed to a company which normally beats expectations.

Motorola, Nokia's main competitor, fell $2⅝ to $65⅛, partly because Nokia forecast weakness in its North American mobile telephone market.

Salomon Brothers, the US *investment bank*, shed $1¼ to $38⅞ after announcing that Mr Warren Buffett would not convert his preferred stock into ordinary shares. That move was seen as a vote of no confidence in the company; but the shares got some support from the bank's strong earnings performance. Salomon reported earnings per share of $2.10, *more than double the mean* forecast of 79 cents.

Cordis surged 25 per cent or $21¾ to $107¾ after Johnson & Johnson launched a hostile bid to take over the company. Shares in Johnson & Johnson added $¾ at $78⅜ on the news.

NYSE volume



Canada

Toronto was weak at midday, pulled lower by a falling gold shares sector, and the TSE 300 composite index declined 10.76 to 4,478.10.

In spite of the weakness of the sector, Bre-X Minerals shot forward C$6¼ to C$45 on the Alberta stock exchange; the gold company recently released drilling results suggesting that it might have found one of the world's largest gold mines.

Losing stocks included the satellite television technology company Tee-Comm Electronics, which receded C$1 to C$17⅞ on news that it planned a 4m-share offering in Canada and the US.

Mexico in early gain

Mexico City opened higher in thin trade on speculative buying ahead of third-quarter earnings and on optimism that the peso's recent weakness was over. The IPC index was up 18.57 at 2,351.01 by noon. Volume was low at 3m shares.

Traders said that investors were encouraged by the peso's gains on Wednesday following *a rise in domestic interest* rates. Early gainers included Cydsasa, the paper and petrochemicals group, which appreciated by 2.1 per cent, and G. Mexico, the mining company, 1.6 per cent ahead.

SAO PAULO could not generate a great deal of enthusiasm after a congressional committee delayed a vote on the government's administrative reform proposals.

At midday the Bovespa index was a scant 61 points softer at 45,957.

BUENOS AIRES was little changed by noon in a market searching for direction. The Merval index was off just 0.69 at 425.85 by late morning.

Brokers observed that trading volume was very low, some 50 per cent down from the levels seen last month.

S African golds weak again

Industrial shares ended their bull run in a volatile day's trading, while gold stocks had to contend with a bullion price which hit a six-week low.

The overall index fell 26.8 to 5,852.1, the industrials index dipped 5.5 *to* 7,511.5 and the golds index was 22.2 weaker at a five-month low of 1,360.1.

Individual moves included Impala, which dropped R3.50 to R78.50, De Beers, down 90 cents at R103.75, Anglos, off R5 at R217 in trading worth more than R50m, and Richemont, R1.25 cheaper at R50.75.

In the golds sector, Vaal Reefs declined R2.50 to R218, Dries 50 cents to *R44.25* and Freegold R1 to R37.

Elsewhere, Sasol slipped 75 cents to R31.50 and Rembrandt 75 cents to R32.75.

EUROPE

St-Gobain under pressure on economic woes

Saint-Gobain, the building materials group, came under pressure in PARIS as a French *broker lowered its recommendation* from "buy" to "sell". The change was in reaction to expectations of weaker medium term economic growth throughout the Continent.

A London-based analyst said that the company was closely *tied to the economic cycle, and* the most likely to be associated with the recent reduction of economic growth forecasts, for France in particular. The shares fell FFr12 to FFr560.

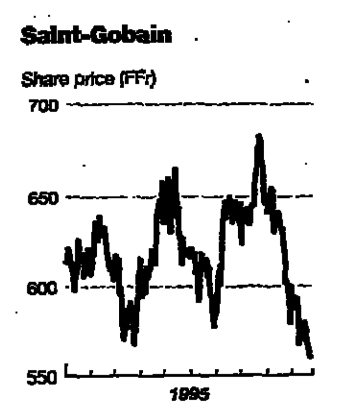
The CAC-40 index eased 13.36 to 1,757.30 in turnover of FFr4.6bn. There was further gloom for carmakers with the publication of a 20 per cent fall *in new car sales during the* first half of the month. Peugeot lost FFr27 to FFr633 and Renault *FFr4.80 to FFr145.70.*

Pechiney dipped FFr6 to FFr267. After the close of trading there were unconfirmed reports that the government would start the privatisation process on November 27.

Considerable activity was also seen in Générale des Eaux, up FFr18.90 at FFr426.90, with one large block trade transacted ahead of today's first-half results.

FRANKFURT's blue chips were weighed down by currency considerations and the Dax index shed 21.48 to an Ibis-*indicated 2,175.09, turnover* falling from DM6bn to DM4.7bn. Volkswagen dropped *DM10 to DM448.30* after a week of relative strength against other carmakers, and SAP preferred continued to mourn the third-quarter figures, down DM5.60 at DM206.40.

Saint-Gobain



Source: FT Extel

However, the real pain was in second line stocks. In construction, Hochtief, Holzmann and Bilfinger & Berger fell DM21 to DM605, and DM20 each to DM565 and DM544 respectively; in retailers, Asko lost another DM35 at DM685.

With the Dax down 1.1 per cent on the month so far, Hochtief was showing a fall of 14.2 cent. Mr Hans-Peter Wod*niok*, at Credit Lyonnais in Frankfurt, said that the German construction sector was in a recession which was going to be very deep, and costly, with no offset demand from the corporate or public sectors to balance a fall of 16 to 17 per cent in housing permissions so far this year. Asko, meanwhile, was off 24 per cent since September 30. There might be some hope for Kaufhof, said Mr Wodniok, as the ongoing quoted stock in the upcoming Metro/Kaufhof/Asko merger; but he saw no reason why Metro should be kind to Asko's outside shareholders.

AMSTERDAM did not like reports that the UK's committee on safety of medicines had *issued a health warning on* contraceptive pills manufactured by Akzo Nobel. The Dutch company declined Fl 2.50 to Fl 183.10, off a session's low of Fl 181.20.

Analysts commented that as a percentage of total sales the contribution from the UK was fairly small and, consequently, was unlikely to have a serious effect on earnings.

The AEX index lost 1.29 to 456.48. *Philips continued to* weaken steadily throughout the day, and the stock finished with a loss of Fl 1.20 to Fl 71.50. *Polygram was unchanged* at Fl 102.60 in spite of a downgrade from a local broker.

MILAN finished weak as Italy was plunged again into a period of political uncertainty after the senate, as expected, passed a motion of no confidence against Mr Filippo Mancuso, the justice minister.

The Comit registered a 1.48 *gain at 586.22. However,* the real-time Mibtel index, which held up well for much of the day, turned back from a high of 9,471 to finish 97 lower at 9,471.

Ferruzzi added L20.3 at L966 after Wednesday's 10.5 per cent *surge*, on speculation that a group of banks might step in to acquire the group, in place of *the merger with Gemina. However*, many analysts were doubtful, believing that the Gemina-Montedison link was still on course. *Gemina fell* L14.7 to L646.

Olivetti remained out of favour ahead of its rights issue, losing L32 to L1,205.

ZURICH put in a hesitant performance ahead of today's options and futures expiry and the SMI index slipped *10.9 to* 3,124.5. Weak issues included Swiss Re registered, which fell SFr12 to SFr1,208 in a technical reaction to the gains of the last three weeks. Nestlé was also under pressure, shedding SFr8 to SFr1,181.

Clariant, the chemicals group spun off as a separate company by Sandoz in June, turned back from a *high* of SFr375 to finish SFr1 ahead at SFr368 after it reported weaker nine-month figures.

SMH saw further profit-taking, *falling* SFr21 to SFr760, amid rumours, subsequently denied, that one large US broker had downgraded *the stock.*

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Oct 19 Hourly changes	Open	11.30	12.00	12.30	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1409.46	1408.81	1407.36	1405.85	1404.59	1402.67	1401.84	1399.54
FT-SE Eurotrack 200	1525.37	1523.51	1524.20	1522.84	1522.65	1519.86	1519.09	1516.67

	Oct 18	Oct 17	Oct 16	Oct 13	Oct 12
FT-SE Eurotrack 100	1412.52	1406.73	1410.59	1421.48	1405.03
FT-SE Eurotrack 200	1531.34	1525.02	1522.47	1531.58	1514.08

Base 1000 (26/10/90) Highday: 100 - 1409.67 200 - 1525.83 Lowday: 100 - 1399.54 200 - 1515.91 † Partial

OSLO's Total index dipped 7.02 to 734.75. Hafslund, which rose *almost NKr25 on Wednesday's* planned merger with Ivax, of the US, reacted with a fall of NKr10.50 in its A shares to NKr193.50. Dyno Industries, the explosives, chemicals and plastics group, lost NKr8 to NKr132 as slightly higher nine-month profits failed to match expectations.

HELSINKI **and** ***STOCKHOLM*** suffered after the Nokia eight-month results, and from subsidiary weakness in forestry stocks. Analysts put Nokia's reported FM3.6bn profits roughly in the middle of an expected FM3.3bn to FM3.95bn range, *but the A shares fell* FM10 to FM275, after FM259, and the Hex index by 98.95 or 4.7 per cent to 2,015.86.

Forestry shares were down 2.8 per cent in Finland, and 1.7 per cent in Sweden. Analysts had been expecting promised *capacity increases in the sector* to halt product rises. There was additional weight on the downside in Ericsson, off SKr4 at SKr151.50 after the Nokia figures, and the Affärsvärlden General index fell 19.7 to 1,786.8.

Written and edited by William Cochrane, Michael Morgan and *John Pitt*

ASIA PACIFIC

Building sector profits worries put lid on Nikkei rise

Tokyo

A forecast of sharp losses by a *condominium builder* dampened sentiment during late trading and the Nikkei average, which had initially gained ground thanks to the rise in the dollar and a rally in high-technology stocks on Wall Street on Wednesday, closed *with only a marginal gain*, *writes Emiko Terazono in Tokyo.*

The 225-share index was finally 59.39 up at 17,955.36 after extremes of 17,908.43 and 18,049.62. Export stocks and semiconductor-related issues *advanced on the dollar's rise* above the Y100 level and the enthusiasm for high-technology issues on Wall Street.

Volume amounted to 300m shares, against 260m. The Topix index of all first section stocks gained 9.32 at 1,434.27 *and the Nikkei 300 put on 1.99* at 269.13. Advances outscored declines by 575 to 407, with 193 issues unchanged. In London the ISE/Nikkei 50 index was 0.46 firmer at 1,220.69.

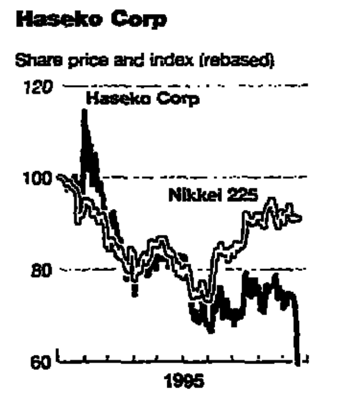
Heavy selling by financial institutions in the afternoon eroded *earlier* gains, while reports that Haseko, a condominium builder, would write off some Y200bn during the current business year due to losses from sales of its property holdings hit investor confidence.

The *Tokyo* stock exchange and other domestic stock exchanges halted trading in Haseko, but investors sold other condominium builders. Haseko was last traded at Y351, down Y28 from the previous day, while Daikyo fell Y36 *to Y658 and Towa Real Estate* Development Y13 to Y350.

Daiwa Bank, a 4 per cent stake holder in Haseko and one of its leading creditors, fell Y8 to Y672. Some trust banks were weak, including Mitsui Trust and Banking, off Y4 at Y860, *and Yasuda Trust and Banking*, down Y5 at Y508, but most of the leading banks were *firmer, with Sakura Bank up* Y10 to Y1,040 and Sumitomo Bank gaining Y30 at Y1,860.

Electronics stocks rose 1.6 per cent, Toshiba adding Y19 *at Y735 and Hitachi Y10 at* Y1,050. Semiconductor-related issues were especially strong. Oki Electric, the most active issue of the day, climbed Y27 to Y962 and Advantest was ahead Y360 at Y5,890.

Haseko Corp



Source: FT Extel

Sumitomo Bakelite, a leading *synthetic resin maker* which had been bought actively recently on reports of an increase in demand for sealants and industrial resins used for semiconductors, eased Y1 to Y784 on profit-taking.

Buying by overseas investors supported shipbuilders, the sector gaining 1.3 per cent. Mitsui Engineering and Shipbuilding rose Y5 to Y239 and Hitachi Zosen Y3 to Y500.

In Osaka, the OSE *average* moved up 103.00 to 19,418.30 in volume of 28.3m shares.

Roundup

Worries over a possible government investigation into false and borrowed name accounts left SEOUL weaker after a congressman said in parliament *that a former president held a* secret slush fund.

The composite stock index closed 6.46 down at 1,000.22 after a day's low of 995.29.

The congressman's remark revived a controversy that hit the market in August after a *similar allegation made by a* former cabinet minister.

Brokers commented that any *government scrutiny into false* or borrowed name accounts, believed to be widely used in stock trading, would depress share prices. Blue chips were affected by the nervous sentiment. Korea Mobile Telecom fell Won13,000 to Won504,000 and Samsung Electronics lost *Won1,500 to Won165,500.*

TAIPEI extended Wednesday's loss as further selling pressure emerged. The weighted index slid 91.65 or 1.8 per cent to 4,941.42, up from a day's low of 4,935.57. Turnover was T$29.7bn.

The textiles sector was the weakest performer, losing 4.3 per cent, with Hualon down T$1.40 at T$20.30.

KARACHI put on 2 per cent following Wednesday's closure because of a strike in the city, but traders said that the rally *was likely to be shortlived. The* KSE-100 index rose 31.04 to 1,549.27. Pakistan Telecom featured with an advance of 1.9 per cent to Rp31.30 on a report that the government had decided to complete its privatisation by December.

SHENZHEN's hard currency *B index rose 3.1 per cent*, stimulated by the exchange's measures to boost the trade in shares reserved for foreign investors. The B index put on 2.18 at 73.53.

HONG KONG continued its consolidation in a day dominated *by derivatives linked* trade and the Hang Seng index finished 7.91 higher at 9,981.61 after fluctuating within an 88-point range. Turnover dipped to HK$3.4bn.

Banks continued to benefit from the outlook for lower *interest rates. Hang Seng Bank* added HK$1 at HK$65.50.

SINGAPORE's weak tone was attributed to further concern about the outlook for the Malaysian economy ahead of the Malaysian budget on October 27, with the depressed sentiment exacerbated by the absence of foreign and local funds. The Straits Times Industrial index fell 16.15 to 2,088.74 in thin volume of 82.9m shares.

KUALA LUMPUR was dragged lower by falls in index stocks but the broader market was *mixed* with buying seen in *selected second-line issues*, and the composite index ended 1.91 down at 944.81.

Chase Perdana extended its surge on the back of its two-for-one scrip issue, the stock rising M$1.00 to M$11.70.

SYDNEY was little changed *after a late rally lifted the key* index off the session's low. The All Ordinaries index added just 0.5 at 2,111.9 after an intra-day low of 2,102.4. Volume was 246.9m shares worth A$516.2m.

Seven Network rose 4 cents to A$3.35 after saying that it had obtained up to 47 per cent of the shares in Sunshine Broadcasting, steady at A$2.10.

Coles Myer was up 4 cents at A$4.57 ahead of an announcement after the close that the executive chairman, who had faced a barrage of criticism in recent weeks, would stand down but remain in the retailing group as vice-chairman.

MANILA retreated as many investors sold stock ahead of forthcoming IPOs, while rumours of lower than expected earnings estimates from a number of major companies *also depressed sentiment.*

The composite index declined 19.68 to 2,613.51 in turnover of 1.6bn pesos. PLDT shed 45 pesos to 1,705 pesos.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY OCTOBER 18 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY OCTOBER 17 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (82)	184.25	-0.3	174.04	117.34	136.36	162.42	0.1	4.00	184.74	174.03	117.20	136.08	162.32	191.01	157.95	168.43
Austria (27)	169.05	0.6	159.67	107.66	125.10	125.04	1.1	1.34	168.11	158.36	106.64	123.82	123.74	199.28	167.48	187.41
Belgium (35)	191.12	-0.6	180.52	121.71	141.44	138.05	-0.2	3.78	192.35	181.20	122.03	141.68	138.32	201.12	164.78	173.00
Brazil (28)	150.57	0.0	142.22	95.89	111.43	265.84	0.0	1.59	150.59	141.86	95.53	110.92	265.63	-	-	-
Canada (100)	142.86	-0.7	134.94	90.98	105.72	138.45	-0.7	2.66	143.86	135.52	91.26	105.96	139.45	150.83	121.81	136.58
Denmark (33)	281.84	-0.4	266.22	179.49	208.58	211.86	0.1	1.53	282.90	266.50	179.47	208.38	211.70	295.99	236.61	261.51
Finland (25)	250.72	0.7	236.82	159.67	185.55	225.69	0.6	1.42	248.92	234.49	157.91	183.35	224.25	276.11	171.13	195.86
France (100)	168.68	-0.9	159.32	107.42	124.83	132.02	-0.5	3.32	170.20	160.33	107.97	125.36	132.65	191.17	157.79	170.96
Germany (59)	159.88	-0.6	151.02	101.82	118.32	118.32	-0.1	2.02	160.82	151.50	102.03	118.46	118.46	167.74	135.39	146.73
Hong Kong (55)	386.06	-0.8	364.67	245.88	285.73	383.22	-0.8	3.79	389.39	366.82	247.03	286.82	386.51	391.00	277.40	382.31
Ireland (16)	247.21	-0.2	233.50	157.44	182.95	217.04	-0.1	3.47	247.89	233.34	157.14	182.45	217.18	250.55	195.34	211.52
Italy (59)	72.14	1.8	68.14	45.94	53.39	86.41	2.0	1.76	70.88	66.78	44.97	52.21	84.68	82.71	65.45	78.89
Japan (483)	143.05	-0.8	135.12	91.10	105.87	91.10	-0.5	0.83	144.27	135.91	91.52	106.27	91.52	164.82	136.95	162.70
Malaysia (108)	465.50	0.4	439.70	296.46	344.51	452.74	0.5	1.81	463.71	436.83	294.17	341.57	450.58	581.96	396.16	555.96
Mexico (18)	1000.65	1.1	945.17	637.27	740.54	7370.70	0.9	1.89	990.23	932.83	628.19	729.38	7306.00	2282.39	847.81	2282.39
Netherland (19)	255.19	-0.4	241.04	162.52	188.86	185.65	0.1	3.52	256.10	241.26	162.47	188.64	185.48	263.99	207.60	218.62
New Zealand (14)	81.97	2.6	77.43	52.20	60.66	66.17	2.7	4.31	79.86	75.23	50.66	58.83	64.43	85.49	69.56	73.44
Norway (33)	240.50	1.8	227.17	153.17	177.99	204.35	2.2	2.07	236.20	222.50	149.84	173.98	200.00	243.79	192.92	206.62
Singapore (44)	369.13	0.0	348.67	235.08	273.19	242.45	0.1	1.69	369.02	347.63	234.10	271.82	242.33	414.26	313.94	395.83
South Africa (45)	368.62	1.5	348.18	234.76	272.80	294.20	1.4	3.96	363.28	342.22	230.46	267.59	290.07	368.62	281.06	333.45
Spain (38)	148.93	0.2	140.68	94.85	110.22	138.94	0.6	4.07	148.59	139.98	94.26	109.45	138.02	160.51	124.10	143.12
Sweden (48)	316.82	1.7	299.25	201.77	234.47	321.36	0.8	1.86	311.44	293.39	197.58	229.41	318.67	320.43	225.80	238.58
Switzerland (41)	221.90	0.0	209.59	141.32	164.22	159.03	0.7	1.67	221.85	208.99	140.74	163.41	157.91	221.90	156.38	167.55
Thailand (46)	165.36	-1.1	156.19	105.31	122.38	161.09	-1.1	2.53	167.19	157.50	106.07	123.15	162.87	-	-	-
United Kingdom (207)	227.31	0.5	214.71	144.77	168.23	214.71	0.8	3.98	226.22	213.10	143.51	166.63	213.10	227.31	187.07	202.67
USA (503)	240.71	0.1	227.37	153.30	178.14	240.71	0.1	2.45	240.37	226.43	152.49	177.05	240.37	240.71	182.33	191.01
Americas (649)	219.70	0.1	207.52	139.92	162.59	184.34	0.1	2.44	219.44	206.72	139.21	161.64	184.13	-	-	-
Europe (740)	194.77	0.1	183.97	124.04	144.14	164.73	0.5	3.06	194.50	183.22	123.39	143.26	163.97	199.02	163.04	174.87
Nordic (139)	290.62	1.2	274.51	185.08	215.08	250.30	0.8	1.78	287.09	270.45	182.13	211.46	248.25	295.02	215.79	232.05
Pacific Basin (832)	154.02	-0.7	145.48	98.09	113.99	101.73	-0.4	1.29	155.15	146.16	98.43	114.29	102.13	173.52	145.93	171.85
Euro-Pacific (1572)	170.90	-0.3	161.43	108.84	126.48	125.50	0.0	2.13	171.45	161.51	108.77	126.29	125.49	178.33	154.73	173.00
North America (603)	234.66	0.1	221.65	149.45	173.66	233.88	0.1	2.46	234.40	220.81	148.70	172.65	233.62	234.66	178.66	187.63
Europe Ex. UK (533)	173.28	-0.1	163.67	110.35	128.24	137.75	0.3	2.52	173.38	163.33	109.99	127.71	137.34	179.46	146.45	156.19
Pacific Ex. Japan (349)	257.38	-0.2	243.10	163.91	190.47	225.67	-0.1	3.25	258.00	243.05	163.67	190.04	225.97	266.72	211.19	261.16
World Ex. US (1763)	172.03	-0.3	162.49	109.56	127.31	129.12	0.0	2.17	172.52	162.52	109.44	127.07	129.09	178.73	155.42	174.98
World Ex. UK (2059)	189.79	-0.2	179.26	120.87	140.45	156.13	-0.0	2.09	190.14	179.11	120.62	140.05	156.14	191.32	163.48	177.00
World Ex. Japan (1783)	220.96	0.1	208.71	140.72	163.52	206.17	0.2	2.75	220.69	207.90	140.00	162.56	205.67	220.98	178.95	190.14
The World Index (2266)	193.06	-0.1	182.36	122.95	142.88	161.23	0.1	2.28	193.29	182.08	122.62	142.37	161.12	194.25	165.92	179.26

Constituent change with effect 20/10/95: Deletion: Lloyd Adriatico (Italy). Latest prices were unavailable for this edition.

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